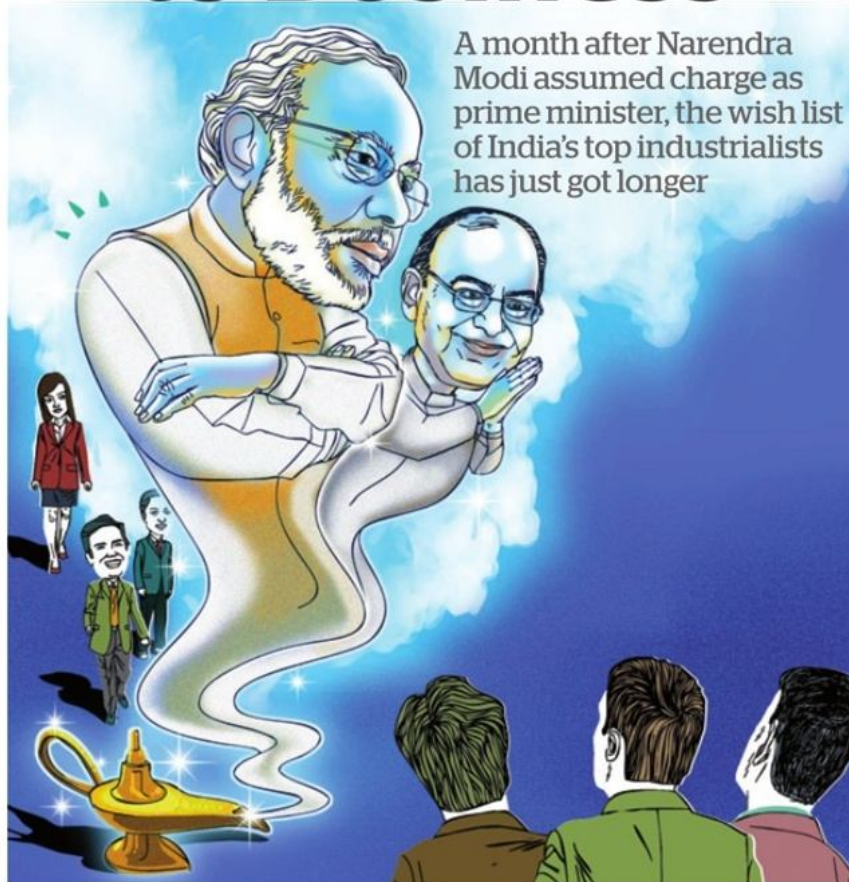


# Getting Down to Business



By Suman Layak

**B**usinessmen were a troubled lot in Ayn Rand's final novel, *Atlas Shrugged*, published in 1957 but set in America of the future. Hemmed in by aggressive regulation the industrialists are seen deserting their businesses, fortunes and the country itself. The scenario created by Rand is quite similar to what many Indian businessmen felt in the last years of the UPA regime – hounded by the CBI, shackled by the Supreme Court and pilloried by activists-turned politicians (read Aam Aadmi Party). Industry leaders even spoke about investing more outside India.

Today Rand has an army of fans in India. The country is the third largest fan base outside of the US (after Britain and Canada) and her books sell many times more than those written by Karl Marx. And India has probably just witnessed a symbolic 'shrug' – a nudge of the shoulders that bears the load of the earth. It shakes

up the earth.

Or that is what Indian businesses expect prime minister Narendra Modi to do – shake up the systems of India, make it easier to do business, clear up procedural hassles. In his first month as PM, Modi has not disappointed them. There is proof that Modi is ready to take some unpopular decisions. Railway fares have already been hiked, although he had to react to the backlash by partially rolling back passenger fares.

**“Disruptive policy reforms...that will be relevant for long and not just five years”**

**Mukesh Ambani**  
chairman, Reliance Ind in a speech at the IMC



## Shake Up the Status Quo

There are further signals of Modi's intentions. Corporate honchos familiar with the goings-on at the BJP indicate that the Narendra Modi-Amit Shah combine that brought the current dispensation to power is already drawing up plans for the 2019 Lok Sabha elections – when they expect Modi will be carrying some baggage of anti-incumbency.

Shah is learnt to have expressed a desire to learn Tamil and Bengali to be able to spearhead the effort to grab roughly 60 more seats from West Bengal and Tamil Nadu. In fact a Bengali media magnate is now said to have ar-

ranged for a Bengali tutor for Shah.

While Shah seems to be set to immerse himself into crash courses in languages, the prime minister's job appears to be that of juggling a few double-edged swords. Just two of them: a gas price hike (should he or shouldn't he) and FDI reforms (should he extend them to multi-brand retail too)?

One man who is affected by both is Reliance Industries chairman Mukesh Ambani. On June 18 and 19, Ambani gave two speeches on the trot, a rare phenomenon. In his second speech at the Indian Merchants Chambers in Mumbai Ambani expressed his hope from the government: "Disruptive policy reforms... that will be relevant for long and not just five years."

Ambani also urged the government to

**"This government does not have to do 100 things. They should pick up one, two or five things and implement them properly"**

**Rajesh Laddha**  
CFO, Piramal Enterprises



"remove the negative mindset of the last few years and build trust".  
Roopen Roy, managing director of Deloitte Consulting in India, one of the 'Big Four' audit and advisory firms, adds: "The government has come to power with a massive mandate. Therefore it has less pressure of populist measures and no compulsion to do 'pork-barelling' as in a coalition."  
One more signal from the government that has some corporate chiefs rubbing their hands in glee is that it doesn't mind taking on non-governmental organizations (NGOs) and activists. An Intelligence Bureau report on foreign funding of NGOs that was recently leaked to the media is an indication.

Adi Godrej, chairman of the Godrej Group, is incredibly candid when commenting on the issue of NGOs and their environmental con-

cerns. "There are some environmentalists who are more of socialists. Environmental concerns have to be taken care of with good science, technology and practical means, not just by ideological environmentalism." (See interview above).

### Lessons in Modi-watching

At a recent CII Summit in Mumbai on FMCG and retail, the mood was upbeat all around. Sameer Nagpal, CEO of Shalimar Paints, said: "There is hope, not optimism yet."

Nagpal, who is taking the 112-year-old Shalimar Paints brand through a transition from an industrial-centric to a more consumer-focussed identity, says he sees a perceptible change among public sector undertakings (PSUs). "Payments that were stuck in large PSUs for months now suddenly seem likely to be released," he says.

If Indian businessmen were to set up their own common minimum programme, the first item on everyone's agenda would be the unified good and services tax (GST). Godrej feels that the measure that has been languishing for more than a decade now can boost the economic growth rate by

a couple of percentage points. Godrej also advocates a disinvestment programme. "It can get the government ₹2 lakh crore a year for the next three years. Life Insurance Corporation should be floated [taken public]," he says.

There is of course the expectation that Modi will lower taxes. Godrej believes India does much better when taxes are lower as collections go up.

The APMC (Agriculture Produce Market Committee) Act is a bone of contention for food producers and marketers. Kurush Grant, executive director of ITC Ltd and chairman of the FMCG committee of CII, feels that the rules have created a nightmare. "Some states have it, some do not and then rules are different. The farmer is not able to sell to the person offering him the best price and there are so many middlemen."

Harsh Goenka, chairman of the RPG Group, feels Modi will leave his mark on infrastructure just as Atal Bihari

**"The key issue is a sensible trade-off in policy. The Indian economy is mature enough to absorb FDI in areas like insurance, retail and hi-tech"**

**Roopen Roy**  
MD, Deloitte India



Vajpayee did with mega-projects like the National Highway Development Project and the Pradhan Mantri Gram Sadak Yojana to connect metros and cities. And one of Goenka's group companies, KEC International, is gearing up to take advantage of river-linking projects. He says: "The [vision for] 100 smart cities will be Modi's trademark just as the golden quadrilateral was for Vajpayee."

Goenka feels that not only would these cities give a boost to infrastructure creation they will also create jobs and lead rural migrants away from the overburdened large metros.

The trick in infrastructure will be to revive India's core sector companies. Parvez Umrigar, co-head of the structured investments group at Piramal Enterprises, is an old infrastructure hand. A former CEO of Gammon Infrastructure, which was set up to take on public-private partnership projects (PPP), Umrigar says that all the PPP players in India were former contractors who raised capital to enter the PPP field when the government opened up the sector. "The balance sheets aren't huge and are stretched. Once the downturn started [in 2008] and banks and financiers stopped putting money into the sector, the PPP play-

## Top 10 sectors in terms of returns in the past 30 days

	1-Month return	Top Company by MCap growth
ET Textiles	20.69%	Vardhman Textiles
ET Hospitality	16.95%	Thomas Cook (India)
ET Retail	12.71%	Trent
ET Cement	11.94%	Prism Cement
ET Auto-Ancillaries	11.58%	Amtek India
ET Sugar	11.57%	Triveni Engg & Ind
ET Consumer Durables	11.42%	Hawkins Cooker
ET Realty	10.76%	DB Realty
ET Pharma	9.54%	Ajanta Pharma
ET Chemicals	8.80%	Solar Ind India

We have selected the top 10 sectoral indices maintained by Economic Times Intelligence Group on the basis of their one month return from May 26, the day Narendra Modi took over as Prime Minister of India. The top stock among the respective index members has also been selected similarly on the basis of one month gains from May 26.

Source: ETIG Database

ers were left stranded."

Umrigar points out the power sector – particular those companies backed by the large conglomerates (think Tata and Ambani) – could have an upside. "The power sector is much better poised to benefit from the Modi government's expected push in this sector," he said. However, the big test of the Modi government will be the mining industry and as an HSBC report recently said the success of the government will hover around whether it is able to make enough coal available to sectors like power. A couple of days ago Piyush Goyal, minister of state (independent charge) for power, coal and new & renewable energy, talked about "involving the private sector in helping explore and mine

more coal at a faster pace" in a news report in *The Hindu Business Line*.

### Big Industry, More Jobs

There is a fresh buzz around heavy industry, be it manufacturing or mining or even services that employ large numbers. The goal is jobs. Even equity investors are shifting to these sectors now (see *Samba on Dalal St*).

Coal mining rights bring to fore the entire issue of environmental and forest clearances where very large companies have got stuck in the recent years. Sesa Sterlite of Vedanta Group, Hindalco of the Aditya Birla Group as well as Essar Power of the Ruias are a few that have been hamstrung due to regulatory hurdles in mining and clearances.

The government's first salvo appears to be to target Greenpeace, which has been campaigning, among others, against the exploitation of the Mahan coal block in Madhya Pradesh. This affects Essar Power and Hindalco. Sesa Sterlite's iron ore mines in Goa and Karnataka were ordered closed by the Supreme Court as part of a mining ban. (The Karnataka operations have restarted but Goa is yet to restart.)

Getting these going will be a tricky affair for the Modi government. For now it's done the relatively simpler tasks of extending excise sops for industries like automobiles, consumer durables and capital goods.

Roy of Deloitte says: "The key issue is a sensible trade-off in policy. The Indian economy is mature enough to absorb FDI in areas like insurance, retail, manufacturing and hi-tech." As if almost taking the cue, the government while ruling out FDI in multi-brand retail is talking about FDI in e-commerce.

The other big area is defence where FDI can lead to large investments. Some of the largest Indian players like Tatas, Godrej, L&T, Mahindra, Bharat Forge have already invested in this sector.

Jonathan Sharp, managing partner for Boston Consulting Group based in Australia, has consulted with the retail industry across the world. He says that even though India is undecided about FDI in retail there is strong interest in the country, especially as the market here is large and the large global retailers are operating in saturated markets. "All they want is consistency in policy, even if the policy is not conducive."

Clearly that is where India had faltered as Rajesh Laddha, group CFO of Piramal Enterprises, points out: "This government does not have to do 100 things. They should pick up one two or five things and implement them properly." ■