# Phew! India Inc breathes easy, finally

VIKAS SRIVASTAV
*Mumbai*

YEAR 2012 started for India Inc with around Rs 60,000 crore worth of orders pending to be awarded in the infrastructure sector alone. Government dereliction and lack of initiatives forced companies to run into losses with order books declining and companies finding it hard to achieve financial closures for major projects. The entire system got paralysed with officials refusing to clear projects fearing corruption charges and macroeconomic factors such as inflation and interest rates compounding the problems further. Things, however, showed some promise at the fag end of the year after government realised the shortcomings and introduced policy changes to revive the fast failing economy. India Inc believes that the government has created a platform that would start to show positive results with a lag effect in 2013.

Some of the important judgments by India's apex court are also expected to tame the fast dropping morale of Indians with respect to corruption that has been eating into India's resources and creating an imbalance between the haves and have-nots. The Supreme Court cancelled 122 2G licences exactly a year after the former telecom minister A Raja accused of India's biggest telecom scam was arrested. SC exempted Vodafone the British telecom giant of a tax liability on purchase of Hutchison in India that experts believe has improved India's overall foreign investment sentiment. The court banned the export of iron ore in Karnataka and Goa to control the illegal export when there is shortage in the country. Besides, the Comptroller and Auditor General (CAG) levelled charges against certain section of ministers and companies of favouritism in auctioning of coal mines, and blamed the directorate general of hydrocarbons (DGH) of favouring few oil and gas exploration companies that resulted into loss of lakhs of crores to the exchequer.

Ravi Uppal, managing director of Jindal Steel & Power, says he is still looking at the policy initiatives with mixed feelings, as it is just half the work done.

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# Mood turns upbeat, India Inc wants action

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"The foreign direct investment in retail and the aviation sector, passage of banking bill and decontrol of petroleum product pricing would trigger the economy provided the decisions are properly implement and the National Investment Board (NIB) is made a reality," says Uppal

H M Nerurkar, managing director of Tata Steel, says the formation of the cabinet committee on infrastructure for single window clearance for mega projects will generate activity in the power and roadways sectors, among others. "The expected lowering of interest rates by RBI in January will provide impetus to the manufacturing and consumer durables sectors, among others. The full impact of all these will be felt in 2013-14. Moreover, with the ongoing greenfield and brownfield expansions, India is expected to become the world's second largest producer of crude steel in the next two years."

P Chidambaram, union finance minister, recently said in Lok Sabha that there over 100 projects, each involving investment of Rs 1,000 crore or more, have been delayed for various reasons. The main purpose of NIB is to oversee and monitor large projects, which would give a fillip to India's economic growth, "Our problem is not conceptualising projects. Our problem lies in getting numerous clearances and getting the project off the ground within a reasonable time," he said.

Hemant Kanoria, chairman and managing director of Srei Infrastructure Finance, agrees with these views, and suggests that the main challenge or difficulty faced by India Inc in the past one year was policy deadlock and indecisiveness on part of the government. Be it infrastructure, energy, manufacturing or, for that matter, any other sector, there was no clear-cut guidelines or policy framework. There was no clear-cut fuel policy, no clear-cut gas distribution policy, to mention a few. Over and above this, the last Union budget created a mess by confusing policies over transfer pricing, taxation, GAAP and so on. The confusion, complication and fear psychosis created in the process, drove away investors. And there was almost a complete stalemate."

Kanoria, however, adds that the past two-three months have seen a change in sentiments. There have been some boldness and maturity in the finance ministry, in particular, and in the corridors of power, in general. "Positive and bold decisions are being taken and economic reforms seem to be back on rails. I think going by the current trend, there are reasons to be upbeat and optimistic in the coming year," says Kanoria.

A senior oil and gas official from a PSU company says that despite the de-regulation of petrol and partial de-regulation of other petroleum products, the oil marketing companies are under duress and need their under recoveries to be paid on structured timelines for things to look up in the coming years.

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The official who did not wish to be quoted said that outlook for oil-marketing companies (OMCs) was bleak, with borrowings for the three OMCs crossing over Rs 1.75 lakh crore which was straining the working capital. "Going forward, it will be tough unless under-recoveries are paid out in a pre-structured timelines. For IOC alone, the capital expenditure required is of Rs 12,000 crore a year. "Unless we are able to generate reasonable returns it is going to be a difficult task and it stands true for all the OMCs."

In the healthcare sector, the biggest concern is the worsening healthcare indicators and the burden of disease. It is expected by experts that government would increase the access of healthcare to the masses with increased investments.

S Prem, group CEO of Apollo Hospitals, says that the healthcare infrastructure needs more capital and the interest rates have to be eased. "The government spend on healthcare should go up while the pharmaceutical products and drugs should be made cheaper. Besides, access to primary care, on public-private partnerships and government insurance schemes should be increased. We look forward to 2013 since the government has announced its new health policy," says Prem.

There is a perception that 2012 has turned out to be a long investment holiday. And it can also be called as one of the worst phases in the downturn that started since 2008. However, the positive macroeconomic decisions taken during the last three months to bring the economy back on track, if implemented properly with no backtracking on account of populist measures to woo voters in the preceding year before the elections, then the economy can be kept afloat and then sailed out of the mess.

M V Kotwal, head of heavy engineering division at Larsen & Toubro, says that if the positive intent shown by the government is converted into action the optimism today can be seen giving results by the second half of the new calendar. "There needs to be a commitment, implementation and supervision to see us move forward from the current problems. A lot needs to be done in the award of major projects, especially in the defence segment that presented great hope to companies like L&T, a few years ago, but not much happened after that," adds Kotwal.

Rajiv Agarwal, managing director of Essar Ports, concurs. "The worst is over for the economy and things would improve from here. However, a lot of adjustment needs to be done in terms of policy, operations and administration for things to move faster."

*(With inputs from Ritwik Mukherjee in Kolkata, G Balachander and Sangitha G in Chennai)*

vikassrivastav@mydigitalfc.com