impact
www.impactmeasurement.co.in

THE ECONOMIC TIMES

Mumbai - May 01, 2023

Page No:	15	Type:	Newspaper
Page Name:	n.a.	Language:	English
Size:	1206 sq. cm	Circulation:	206,392
AVE:	INR 3,153,637	Frequency:	Daily

News monitored for: JM Financial

$5 T Economy Not Possible Without Pvt Sector Increasing Pace of Capex

India is at the cusp of a private sector capex boom, said industry leaders. For the country to become a highly productive economy in five years, we will need to scrap even more rules, regulations and procedures – while 10 states must grow in double digits, they pointed out

The Stellar Panel: (L-R) Sanjiv Mehta, Uday Kotak, Amitabh Kant, Preetha Reddy and Sajjan Jindal. The discussion was moderated by ET's Arijit Barman

The Economic Times Awards for Corporate Excellence hosted a discussion by some of India's sharpest minds. The subject: Private Sector Capex Revival: Key to 8% Growth. On the panel were Amitabh Kant, India's G20 sherpa; Uday Kotak, CEO of Kotak Mahindra Bank; Sajjan Jindal, chairman of the JSW Group; Preetha Reddy, vice chairperson of Apollo Hospitals; and Sanjiv Mehta, CEO of Hindustan Unilever. Edited excerpts:

Is 8% growth a realistic target for India?

KANT: Over the next five fiscal years, it's largely projected that India will grow at about 6.8%. India needs to grow at minimum 8% per annum over a long period of time (three decades) if it has to become a $5 trillion and subsequently a $10 trillion economy and raise the per capita income of Indians... This can't be done without the private sector actually accelerating the pace of investments. The gross fixed capital formation in India has to rise. It is presently at about 29%. But it was at 35-36% in 2004.

I think the animal spirits of the private sector must rise up to the occasion now... take all risks. If you look back in the last three to four years, actually only three-four large private sector groups have taken the risk to invest.

A large part of our investment story is also predicated upon foreign direct investment (FDI). Since FY21, FDI figures have been coming down. Do you worry FDI inflows into India will further go down?

KOTAK: You've seen a significant slowdown in the rest of the world, valuations have corrected particularly in some of the start-up and the tech areas. So, the slowdown in FDI is much more linked to those events around which a lot of investment came probably at very high valuations. But, if you look at India's position today on the global stage, India has managed its geopolitics or its economics brilliantly... There are not too many places on planet Earth which give the kind of stability which India has today... Some of the largest sovereigns and pension funds around the world want to come in scale and size.

Why can't we see the animal spirits come into broader corporate India? And that is our challenge, Mr Kant. Rest assured, the private sector will rise to the occasion —give them time and do not suggest an increase of taxation please.

> India needs to grow at minimum 8% per annum over a long period of time (three decades) if it has to become a $5 trillion and subsequently a $10 trillion economy
>
> **UDAY KOTAK**
> CEO, Kotak Mahindra Bank

KANT: We've been saying that we've been at the cusp of this big private sector capex boom for the last two-and-a-half years. It's time we actually did it.

India must become a highly productively efficient economy in five years' time. And that would require us to scrap even more rules, regulations, procedures—and states to really act. You need about 10 states of India to

> Services is a very strong bedrock and has to grow. Manufacturing, which is today less than 20%, has to move up to somewhere in the vicinity of 24-25%
>
> **SANJIV MEHTA**
> CEO of Hindustan Unilever

grow at double digits for India to grow at 8%.

Is the manufacturing narrative overwhelming the services story, which has been robust so far in India?

MEHTA: It's not an 'either-or' story. For us in India, it has to be an 'and' story. Services is a very strong bedrock and has to grow. Manufacturing, which is today less than 20%, has to move up to somewhere in the vicinity of 24-25%. We are talking about creating massive amounts of jobs and the collateral impact manufacturing will bring in is immense.

The capacity utilisation for the quarter this year versus the same quarter last year has gone up by 200 basis points. New proposals which CMIE tracks have been ₹3 trillion in the last quarter, out of which 92% is in the private sector. And this is 2.7 times more than the average of the previous 11 quarters. I don't think the risk appetite of any manufacturer in the country has gone down. And at the end of the day, we must also remember we should not get back into the era of reckless investment and reckless lending. If it is driven by demand, I see no reason why manufacturing investment or capacity investment won't go up.

Mr Jindal, with the Chips Act, the Inflation Reduction Act, would industries not move to the US?

JINDAL: Today, globalisation has become like back-to-the-old ways of doing business back into their own economies. India is doing the same with the PLI (production-linked incentive) scheme. I think the benefits will show up very clearly in the coming years.

Would you agree that we have not done enough to bring women into the workforce?

REDDY: In a lot of industries, whether it's healthcare, IT services and banking, there are a lot of women. So I think they're capable and for an economy which has to grow, women have to be brought into the workforce.

From an MNC point of view, is it that much difficult for CEOs to convince their boards to invest in India?

MEHTA: India today is the largest Unilever business in volume terms. And in another few years, it will become the largest Unilever business in value. From a Unilever perspective, the top priority is India and Unilever is not an exception. There is a huge amount of enthusiasm towards India and our job is to make that potential into reality.

Many would argue manufacturing FDI is not moving to India to the extent to which it should. What should we do?

KANT: India needs to fire on all cylinders. A large country like India, which is bigger than 24 countries of Europe, can't grow only on services. Manufacturing must account for 25% of India's GDP to create jobs. Agricultural productivity is very low, needs to rise and India must grow on urbanisation. And I think all this is very closely linked to creation of quality infrastructure.

RBI data show large capex projects of over ₹5,000 crore investment have seen a significant drop in the last decade. Should we infer that small is beautiful, and should that be our new capex strategy?

KOTAK: I don't think it is either or. I think we really need to grow our MSMEs (micro, small and medium enterprises)... need to make it easy on the principles of ease of doing business even further. We have made progress on this but there's a long way to go.

I share with Mr Kant his desire for much

> We've been saying that we've been at the cusp of this big private sector capex boom for the last two-and-a-half years. It's time we actually did it
>
> **AMITABH KANT**
> India's G20 sherpa

> Climate change is a real thing. Energy has to become sustainable. All our businesses, unfortunately, are very heavy CO2 emitters, whether it is steel, power or cement
>
> **SAJJAN JINDAL**
> CHAIRMAN, JSW GROUP

higher growth, but we must put in place the enablers for that. It's big business, it is MSME and the banking and the financial sector.

Sajjan Jindal is here. If Mr Jindal wants to acquire a Rs 50,000 crore asset in India, you should be able to get funding for that acquisition finance in India.

Mr Jindal, you know everybody talks about environmental sustainability. Who pays for it – the private sector, the government sector, or should it be multilateral agencies like the IMF?

JINDAL: Climate change is a real thing. Therefore, energy has to become sustainable. All our businesses, unfortunately, are very heavy CO2 emitters, whether it is steel, power or cement.

My basic thought process is that ultimately, it's economics which drives everything. One thing is very clear, the customer is not going to pay for all these extra costs (of producing green steel). In India, we as an industry, don't believe that the government will be able to pay for these kinds of things. There could be some sort of cross subsidy that could probably happen, where they will put more tax on coal and then subsidise some industries. We have to sustain ourselves and create our own ways to go green.

Why are we nowhere close to even some of the emerging markets when it comes to R&D capex?

REDDY: I think over the past years what has happened is, in a way, it's survival. So all the capital was going into starting a business, running it and making it successful. But now we are at a time when R&D has become so important and there is capital available. And it's like investing for the future. If we start investing into R&D now, a few years down the road we will be able to capitalise it. We are now the largest population, we have the largest gene pool in the world.

Mr Mehta, everyone talks about the demographic dividend. But market sizing should be ideally linked to the consuming class and not the full population. Do we get it wrong?

MEHTA: If you look at people with more income and also based on behaviour and lifestyle, that comes to about 14% of the households in the country out of about 300 million households. Even this class in size is bigger than most European nations...

There is still a large population which is at the bottom of pyramid. And that is where what we need is inclusive growth, not just a GDP growth of 7-8%. These are the people whose consumption of even FMCG products is just about $20 per capita. Just look at the runway to grow. Once the country keeps growing, most of the industries would have a huge runway to grow. So demographic dividend is a reality. But it has to be intertwined with inclusive growth to make it come alive.

> In a lot of industries, whether it's healthcare, IT services and banking, there are a lot of women. So I think they're capable, and for an economy to grow, women have to be brought into the workforce
>
> **PREETHA REDDY**
> VC, Apollo Hospitals

Mr Kotak, do you think the days of dollar hegemony are over?

KOTAK: All our monies are in nostro accounts and somebody in the US can say you cannot withdraw it from tomorrow morning, and you are stuck. That is the power of the reserve currency. And I think we are at a very crucial time in world history, where the world is desperately looking for an alternative reserve currency.

The question is, which country in the world can take that position? I don't think Europe can because it is the dis-united States of Europe. I don't think the UK or Japan have the heft to be taking those positions, though the British pound and the yen are free currency. China—I think there's a major issue of trust with many countries around the world. Can India do it? It has to build strong institutions and the mechanisms have to be strong. India has to be trusted. Otherwise, the US has an unbelievable and incomparable privilege of being able to print money and get away with it as it has for the last 100 years.

Vishal Kampani

N Venkatram

Rajeev Samant, Sangeeta Pendurkar & Deepak Iyer

Malav & Ashwin Dani

Gaurav Dalmia with Romal Shetty

Pallavi Shroff

Suneeta Reddy

Harsh Jain with Sandeep Naik

 http://economictimes.indiatime