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'It is important to communicate to the world what India is trying to achieve'

The Prime Minister's visit to the UK holds much promise for India, say market experts
Raju Kamath, Manish Singh

ABHA BAKAYA

As Prime Minister Narendra Modi is on a packed three-day visit to the UK, Bloomberg TV India gets you the mood of the investors on the ground from the UK, and what they are looking forward to when it comes to Indian market and policy. Bloomberg TV India speaks to Raju Kamath, CEO of Kuvera Capital, and Manish Singh, Strategist & Head of Investments, Crossbridge Capital.

Manish, we have just seen the BJP's loss in the Bihar elections. The market seems to have somewhat discounted the entire turmoil. What is your view as an investor?

Manish: I don't think it does. If we look in terms of legislative impact — of how many seats the BJP would have got in the Rajya Sabha — it was just five.

Also, if we look at it in terms of legislative reforms that the government has been talking about, I think, this jolt may actually end up helping the government to think — that it is a kind of reality check what of what they are doing. But there are many things that the government can do and for that

it does not need legislative agreement. If you are talking about reducing the Centre's stake in PSUs, it does not need to be passed by the Lok Sabha.

Similarly, if you are going to have an unambiguous legal system, you don't need legislative approval. So the government can do a lot of things even without legislative approval.

The global micro-picture is still very much favouring India. Energy prices are not going anywhere, anytime soon. And the government is still committed. The recent announcement on FDI reforms outlines this very fact.

Raju, let me get your perspective.

Raju: I think it won't have any significant impact at all. If the BJP had won, it would have been a margin positive. But if we look at SEBs, PSU banks, they don't need that win. I think the Bihar poll drubbing may accelerate some of the reforms, as it may act as a jolt for the government to wake up.

A day before Diwali

there are a lot of action on the FDI front. But are you worried about the execution?

Raju: I think there are a lot of positives. Look at the road building which has taken up phenomenally well. And also, look at the potential Japanese investment in trains. The government is on the right direction as far as the reform is concerned. There is a lot of goodwill. At the same time there are a lot of expectations as well.

Some of the biggest corporate have come out and spoken that the government possibly needs more time to get some of the executions to take place. Do you agree?

Manish: I think the government needs time. We can hope that it could be done faster. But the fact is that you know how India works. You have to cut some slack

for the government so long as the intention is clear. For me the whole MAT issue which happened was not required. You are already fighting a challenge in order

to reform the country. At the end of the day you are looking for FDI, you are looking for capital.

The government has been fairly vocal when it says it is taking the right steps to resolve issues. Has that been enough for you as a reassurance?

Manish: I think what they have said subsequently has been encouraging. The government should be proactive in making investors feel welcome. That is exactly what ease of doing business is. Now, you have States competing with each other to get the capital. These are positive signs. You have to function in resource constraint. You should not think that capital is available and you can use it the way you like. So I would say that a lot of communication is happening and will clearly make investors feel comfortable.

Talking about federalism, do you think that it will add to ease of doing business?

Raju: There is no doubt about it. One of the voices in getting the execution done is to empower the States. That is for their economic benefit. More free market means less taxation and less bureaucracy. This simple formula will deliver growth. These reforms will provide certain place for the investors and companies to do business. In other words, it will empower the States directly.

What is the mood on the ground in the UK ahead of the Prime Minister's visit?

Raju: I think the atmosphere has been positive much ahead of the visit. The expectation had been set long back, ever since Modi was the Chief Minister of Gujarat. Ever since Modi took over the reins of India, it was going bigger and bigger. Investors are now more focused on joining the bandwagon of reforms in India.

Manish, what is your take?

Manish: It is positive what the Prime Minister is doing in terms of communication. I often believe that India was far less known before. Of course he will be criticised for the foreign trip. But I would say if you won't tell the world who you are, what you do and what you want to do, people will have varied interpretations.

So it is important to communicate to the world what India is trying to achieve. That is a big positive.

You really have to talk about how you can make the bureaucracy work better, business work better. Those things are very vital. And when we talk about infrastructure, it is not just the roads. It is all about the legal system, it is about the internet, it is about technology. I

think the PM's visit to Silicon Valley was very good. We are in a changing world where there are not just government-to-government talks. The government can directly talk to business and implement changes. So I would like to hear about how PM Modi is changing the way business is done, how the bureaucracy works and how he is cutting red tape.

Let's talk about the markets as well and what is the way forward for Indian market vis-à-vis the other emerging markets...

Manish: Look at where we are positioned in terms of the Fed and ECB. Now the Fed has boxed itself into a corner. May be they will raise the rates in December. Look at forward looking data and there are many which are not very encouraging.

So I think the Fed is going to be supportive. Second, as soon as the uncertainty about the Fed rate hike is removed and to the extent that you have seen some emerging markets, there are some central bankers urging the Fed to raise

rates. I think you still have some tailwind in that sense. In terms of market positioning, the markets have gone underweight in emerging markets.

For example, if you look at the statistics... the sell-off which happened in September... a lot of high yield investors are backed by high yield bonds, but not the equity investors in the emerging markets. They are still underweight. So I would say still there is a lot of support for the emerging market. But there will be some challenging time also.

Where does India stand vis-à-vis its peers at this moment as far as the market is concerned?

Raju: India in comparison to other emerging markets has done relatively well. Especially if you look at the recent earnings, they do not look encouraging. But I think India's position where where it was when the Fed was talking about raising rates in

2013 and where it stands now — the macro is very different. So the count-to-count deficit is more significant. I think from that perspective India is better and can take a rate hike. But nonetheless in the short term when the rates will go up highly, the emerging markets are going to suffer.

"The expectation (in the UK) had been set long back, ever since Modi was the Chief Minister of Gujarat."

RAJU KAMATH
CEO, Kuvera Capital



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MANISH SINGH
Strategist & Head of Investments, Crossbridge Capital

