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## *Stable Government – Impact on Corporate Credit Profile*

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After reaping the benefits of various development initiatives during the NDA-1 and UPA -1 regime, the India Inc. saw the growth story getting derailed from 2009 to 2014, with GDP growth slumping from 8% in FY10 to about 5%\* in FY14.

Whereas the blame should not be put entirely on UPA –II for all the mess which today India Inc. is facing, the opposition stalling the parliament and global recession are also equally responsible for the current state of affair. Pro-activeness and decisiveness are what UPA –II lacked.

On the other hand, various scams and corruption charges on UPA –II derailed the decision making; besides, infusing the fear of enquiries in the government functionaries almost stalling the economic cycle. All this resulted into –

- Dampening of growth in the service sector, which represents more than 50% of the GDP, from 10% in FY10 to 6.8%\* expected for FY14,
- Dampening of growth in the industrial output from 10.30% in FY10 to 1.7%\* expected for FY14 and
- Retail Inflation rising to a decade high of 12.97% in 2010 and subsequently ranging from 9% to 10% during 2011 to 2013 period and further easing to 6.89% in 2014.

*Source: Actual figures:– Central Statistical Organisation; \*Expected figures: Economic Outlook Survey – FICCI*

UPA –II has launched many more populist schemes like Food bills, direct subsidy etc., which in a long run will surely affect the overall economy. In such a scenario, a clear mandate given to NDA augurs well for the industry as a whole. Besides, BJP coming to power on its own gives much more stability and confidence as compared to entire NDA being put at the magic figure of 272.

However, it is to be noted that NDA is not getting the government in the best of its form. The new government has to work at a time when GDP is growing at the slowest pace of the decade, RBI is at a fix on whether to tame inflation or give stimulus to boost the economy, NPA levels are growing at alarming levels in banks and investment cycle has almost been halted.

NDA has clearly got mandate primarily based on “hope” that the said developmental agenda would be a reality, that too in 60 months. Such campaigning by NDA has given rise to huge expectations (at times unrealistic) among the common man and to quench it, the government will be forced to prove its metal. Accordingly, the pro-development agenda of NDA is welcomed by one and all and is reflected from the mood of the current market. However, the euphoria to really translate into reality, might take time as unlike equity markets, the debt market would be likely to see the “things happening”.

Nevertheless, the fact that the new government is not at a mercy of its alliance partners, is good for the industry as a whole. The decision making at policy level would be faster and clear (possibly). As it is expected that the ground level activities would “move now”, the expectation about having seamless approvals to various stalled projects (which are feasible) would invite fresh capital in the system by way of equity as well as debt. This would relieve the stress on corporates to a greater extent.

XMPUS™ believes that the credit profile of Indian corporates would move positively, provided the stable government –

1. Provides clarity over various policies leading to investor confidence,
2. Speedy approval system which shall rejuvenate various stalled projects,
3. Materializes the higher investments in the infrastructure segment,
4. Works along with RBI to counter inflation,
5. Promotes policies which lead to new job creations rather than subsidy based populist measures.



### **About us**

Xmpus Financial Services, LLP is set up by first generation entrepreneurs having total experience in finance industry of over 20 years. The founding partners of the firm have collective experience of handling of over 1000 credit rating assignments into various sectors. Besides, the partners of the firm have track record on working in a Credit Rating Agency of over 12 years and has handled various rating portfolios in varied capacities ranging from Rating Analyst, Group Head, Rating Head, Sector Specialists and Internal Rating Committee Member.

The Track record of XMPUS as a Credit Rating Advisory is as below -

- **XMPUS has completed 35 Credit Rating Advisory assignments in the very first financial year (8 months).**
- Providing Rating Advisory Services to **Companies in Mumbai, Chennai, Ahmedabad, Indore, Nagpur and Jaipur**
- XMPUS has covered industries such as – **Sugar, Real Estate, Power (solar and wind), Steel, Engineering Products, Trading, Education, Logistics, Textiles and IT.**
- XMPUS has provided Credit Rating Advisory for **total debt of about Rs.30,000 crore**