

# Economic Times

## Global Charge

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Clip: 1 of 2

● Vinod Mahanta

Over 400 senior partners from across the world flew down to Delhi for the Grant Thornton annual global conference. During the three days, the partners fanned across the Indian capital visiting various Indian companies like Micromax, Fabindia and Evalueserve to get a first-hand feel of India Inc. During the conference, Corporate Dossier got eight leading Grant Thornton network CEOs who have the pulse of their numerous clients in their own respective geographies to discuss the pace of global economic recovery and how their perception of the India story had changed in the past few months. Edited excerpts:

**How much time will it take to get out of the 2008 mess? Which stage are we in?**

**Stephen M Chipman:** The US economy has been quite resilient given the significant issues that it faced from 2008-09, but it is fragile. It is the slowest US recovery of any recession since World War II. Progress continues to be slow and the overriding issue in the US is uncertainty, particularly on fiscal policy. We saw that flare up in Washington over the last few weeks in a very distressing fashion (the US shutdown). So fiscal policy cuts, policy regulatory environment, and so you have, healthy businesses with lots of cash, balance sheets are strong and S&P 500 are sitting on more than a trillion dollars of cash, but they are very reluctant to make investment decisions to create jobs and stimulate growth until there is more stability in the fiscal regulatory environment. What you are going to continue to see is more of the same tepid growth resiliency but fragility until there is a greater degree of certainty in the environment.

**How is Europe shaping up?**

**Daniel Kurkdjian:** From a business perspective, Europe is not a real environment. You can speak about the national environment, the UK environment, the German environment, the French environment. Those people can speak for Germany and the UK, but the French situation now is far less resilient than before. But it is also true and we are not in such a good shape. Very large companies and medium-sized companies operating abroad are doing pretty well. Export is sustaining the economy though the domestic economy is not yet sufficiently robust to help the companies grow.

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In an exclusive panel discussion with CD, eight of Grant Thornton's top CEOs discuss growth avenues in the multi-speed world



(From L-R; Standing) Stanley Chang, Managing partner, Advisory Services, Grant Thornton, China, Scott C. Barnes, CEO, Grant Thornton, UK, Robert Quant, CEO, Grant Thornton, Australia, Vishesh Chandioik, National Managing Partner, Grant Thornton, India, Arai Tatsuya, Director for International Business Centre and Audit partner at Grant Thornton, Japan (From L-R; Sitting) Daniel Kurkdjian, CEO, Grant Thornton, France, Stephen Chipman, CEO, Grant Thornton, US, Klaus Guenter Klein, Chairman, Grant Thornton, Germany

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## How has the German economy held its own in troubled times?

Klaus Guenter Klein: We do see some growth rates in the German economy at the moment. We had a weak first and second quarter and the third quarter picked up a little bit. When I talk to clients, they say that they are doing very well at the moment—for example, those clients who have a high ratio of exports to China and other countries. We do see a lot of good performance in the mid-sized dynamic area of our clients. How sustainable that will be depends on the development of the Euro. You know that there are still countries in Europe who are not performing as they can or should and the reforms that are required during the period of restructuring these loans, are slower. We see that the countries are slower in their development and it is a question of what will happen in the future when the new governments are in place. We have new governments in Germany, Austria and so there might be changes in the views of Europe.

## China's numbers look very promising. Do you think this is a real recovery?

Stanley Chang: I did a presentation earlier this year around several countries and I had a chart of their growth rates. In 2007, there was a 9% range. Right now, at the APAC meeting in Indonesia, 7% is good enough. Of course, they came out at 7.8%. That is now a good comfort zone. Since this new administration came in late last year, they want to re-emphasize growth, they want to emphasize growth as quality. And then because we had a lot of problems in Beijing, we had tremendous pollution problem, we have traffic jams that is almost intolerable, so we have to slow down. We have

industrial growth issues that impact the environment. We have lots of uneasy complex attitude in terms of how health and other things are taken care of. The government is making some anti-corruption moves. They are obviously trying to straighten a lot of things. So I think the direction is going to be trying to keep around probably between 7-8% and that is what the President said.

## What kind of questions are CEOs asking about India?

Scott C. Barnes: Companies in the UK still see India as a big growth market and a destination for expanding their businesses or setting up new companies. We are talking about it all the time, we are interested in investing in India and Vishesh Chandioik (Managing Partner, Grant Thornton India) and I met one of our largest clients, a food retailer, who is very interested in tapping into the Indian advantage. So I do not have any sense that there is any less willingness to invest in India. People see it certainly in terms of a consumer market and it is an investor market for businesses in the UK, equally. We are seeing a lot of inbound investment from India into Europe, certainly into the UK. The Tatas, for example, have very heavy investments in the UK. There is always a question around regulation that comes from UK businesses. They talk about the ease of being able to invest in India, but people are getting smarter at dealing with those things there, and certainly, our Indian firm is very good at helping our clients navigate their way through the maze of regulation in India. There are some very good advisors

who are able to deal with those issues for us.

## The US has the largest amount of companies looking at India. Are American companies rethinking on further investment?

Stephen M. Chipman: The biggest change I see when I talk to clients is shifting the view of India from a talent pool to an opportunity, from lower cost to a market. They want to expand their businesses for seeking access to the market. They keep an eye on the political challenges, the slippage in the growth rates and depreciation in the currency, but their number one issue is access to market where obviously retail gets talked about a lot. That is just symptomatic of a broader pent up demand from US businesses that want to be here in India. They want to be here to provide goods and services and that is a big shift from coming here with the view of just lowering costs, and it is really starting to pick up speed.

Klaus Guenter Klein: When you look at the automotive industry in the German luxury car segment, there is tremendous growth opportunity for the German automotive sector also, for investing in production facilities and to bring the cars in the market. So I think opening the market is one good perspective. Ten years ago, Mercedes was the only brand that was known in India. Then BMW started with a plan to become number one and it became number one. Now Audi has piped them to become number one. German companies would want greater access to India in many more sectors.

## Are Japanese firms looking at India in the same aggressive way as three years back?

Arai Tatsuya: Last year, the government (of

Japan) changed and the new Prime Minister is very aggressive. I see expansion in business by the government and also the money supply is increasing at the moment. But we are afraid about our current liability—it is about \$10 trillion, almost double our GDP. It is very difficult for us, but a lot of the Japanese companies are definitely looking at India as a big market. Some of our clients are in business in India already and also a lot of different companies concentrate on Asian countries, such as China, Singapore, Thailand. The Indian market is big for the Japanese companies, and maybe, it is much bigger than the Chinese market.

## How do people see India versus China and Europe?

Daniel Kurkdjian: You made the comparison between China and India and as far as France is concerned, we really feel a distinction between the marketing of the Chinese and the marketing of the Indian. China is presented as a big opportunity from the export opportunity, whereas there is no real image of India in France, unless except the image of low cost people where it can have outsourcing businesses.

## Australia has had 22 years of growth. What are the areas of opportunity for Indian companies?

Robert Quant: Our resource is in coal and the Indian interest is in coal. I think an interest towards gas would be very important, for that is a great cash resource. We do have great brand equity as a country and I wish India could tap into that and turn into a supplier for the region, in health, tourism and education

areas. Indian companies have capital, and know how to add value to organizations. Exports to the region is a great opportunity. Indian companies can look at acquisition of companies that have good brand locally and valuations are attractive in some sectors.

## Vishesh, what type of questions are you getting from clients that come to you through other network firms?

Vishesh Chandioik: I have seen a dramatic increase in the number of inbound enquiries as the story worsened over the last six months. Foreign clients are asking if there is an opportunity to buy Indian assets at a 25% discount, to raise stakes in some cases or even go for fresh investments. There are confidence issues, growth is slowing and we are a sentiment-driven economy. But that's not an issue with clients who are long-term investors. A lot of our clients are privately held, who are not coming to India for three months. They have a ten-year horizon. Our pushback on those enquiries even when someone is looking to come into India is 'are you coming by yourself or do you need that local partner?' There are certain industries, which do not have bureaucratic government involvement, but there are others with red tape. As a general trend over the last few years, we have seen our US clients as they enter larger emerging markets doing less and less joint ventures as an entry vehicle and more and more direct investment. That has certainly been the case in China where the joint venture model has almost dried up compared to where it was ten years ago.

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