

HIGHLIGHTS

- Survey results clearly reveal an improvement in the investors' sentiment post recently announced reform measures.
- Majority 72% of the participants felt that the reforms undertaken would revive buoyancy. In fact, almost as much participants expected further reforms in near term.
- The announcements have certainly uplifted the spirit of members of India Inc, with about 68% respondents pointing out the economic situation to be '**Somewhat Better**' over the next two quarters.
- Some of the reform measures that the companies wish to be expedited included-land reform, rolling out of GST, passing of new companies bill and insurance and pension reforms.
- Given the choice between three biggest risk factors -global economic situation, domestic challenges like inflation and slowdown in reform process- about 46% of the companies said domestic issues like inflation and higher fiscal deficit are the bigger concerns and pose greatest risk over the medium term.
- Respondents also expressed concern over the cost of finance for the manufacturing sector. It was clearly acknowledged that the **manufacturing sector has been the missing link in India's growth story** and the country has the potential of becoming a major manufacturing hub, thereby creating new employment opportunities.

Background

Amidst the difficult global economic situation and a conspicuous slowdown in the domestic economy, the government finally decided to take some action on the much required reform measures last month.

The announcements have come at a very apt time and are expected to give some support to the flagging investor confidence.

Some of the major announcements included the much awaited liberalization of FDI in sectors like multi brand retail, civil aviation, broadcasting services, decontrolling diesel prices and fast tracking disinvestment.

In fact, the government is contemplating some other big ticket reform measures like giving an impetus to the infrastructure sector and taking up the long pending call on allowing foreign investors in the insurance sector.

Survey Profile

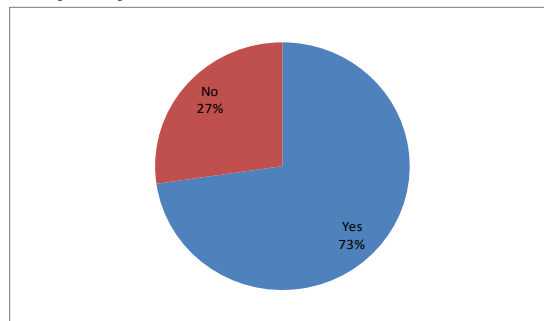
The current survey round was conducted during the last two weeks of September 2012 (post announcement of these reforms on September 14, 2012).

The survey drew responses from companies with wide sectoral coverage like manufacturing and construction, textiles, electrical and electronics, FMCG, Chemicals, Pharmaceuticals, Hospitality and Food Processing.

Reform measures uplift India Inc spirits

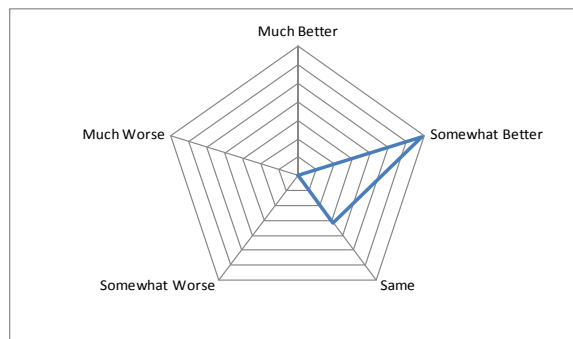
The survey results revealed that the reform measures undertaken by the government have certainly helped improve the outlook of members of India Inc. A majority 72% of the participants indicated that the announced reform measures would help revive buoyancy in investor sentiment.

Chart 1: Percentage of respondents expecting reform measures to revive buoyancy



In fact, about 68% of the respondents said that they expect the economic prospects to be 'Some what Better' over the next two quarters. While 32% of the participants expected no change in the economic situation.

Chart 2: Expectation of economic prospects over next six months



Also, participating companies from the services sector were a little more optimistic than those from the manufacturing sector.

Table 1: Expectation of economic prospects over next six months- sector wise

Sector	Somewhat Better	Same
Manufacturing	67%	33%
Services	75%	25%

Respondents hopeful of further reforms....

Around 71% of the participating companies said that they expect more reforms in near term, while the remaining 29% did not expect likewise.

Top reforms measures to be accelerated...

The companies were also asked to indicate the top reforms that they want to see expedited.

Some of the major reform measures that were unanimously indicated as priority by most of the participating companies included:

Table 2: Top Reforms Indicated by participants

Reform Measures	Status
Passing New Company's Bill	To be done
Rolling out GST	To be done
Land Reforms	To be done
Power Sector Reforms	Done
Insurance Sector Reforms	Under Consideration
Sugar Decontrol	To be done
Infrastructure Financing	Under Consideration

The participants expressed concern about inflation and ballooning fiscal deficit. It was pointed that the increasing subsidy bill of the country is a major concern and needs to be tackled on priority basis.

The companies also expressed concern about cost of financing for the manufacturing sector. It has now become imperative to improve the efficiency of the manufacturing sector and give a much needed boost, the companies felt. Positive steps should be initiated to encourage efficiency in producing/manufacturing units by allowing production initiatives.

Additionally, many felt the manufacturing sector has been the missing link in India's growth story and the country has the potential of becoming a major manufacturing hub, thereby creating new

employment opportunities

As far as financial sector reforms were concerned, it was felt that popularizing insurance and pension schemes would counter reduction in household savings.

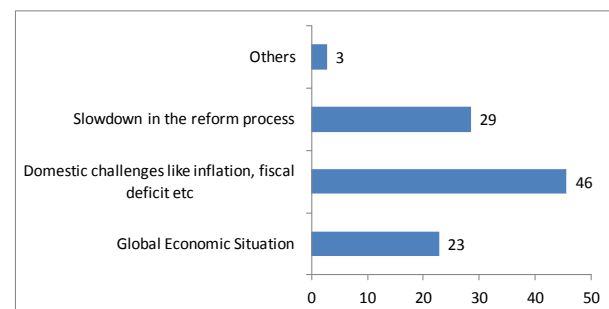
As expected, GST and DTC were the major taxation reforms companies expected the Government to implement.

It was also pointed out by some that undertaking governance reforms would be crucial and this would help rebuild investor confidence.

Biggest threat to growth...

About 46% of the companies said that domestic challenges like inflation and fiscal deficit were the biggest threat to growth in near term. About 23% said that the global economic situation is a concern, while 29% indicated slowdown in economic reforms to be an issue. Around 3% of the respondents suggested others (governance, social sector reforms etc) as the bigger threat to growth.

Chart 3- Biggest risk to growth in near term



Note: responses are normalized to add upto 100