

100 honchos polled by ET in the 'CEO Confidence Survey' did not shy away from diagnosing the economic malaise for how bad it really is. But they also saw beyond it.

Their Consensus

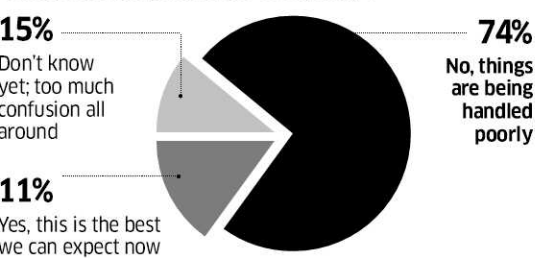
The Worst is Probably Over

ECONOMY

74% CEOs Say Govt is Handling Economy Poorly

India Inc is becoming increasingly vocal in expressing its disappointment and displeasure with this government even at the highest levels, including at the latest meeting of the Prime Minister Council on Trade and Industry in end-July. "Corporate captains have been stressing on the same things for the last three years, but see no evidence of real action," a senior government official aware of the deliberations at the Council had told ET recently. "Hence, they lack the confidence to invest more." Given all the flak this government has drawn, it's no surprise that an overwhelming majority of CEOs feel it has fared poorly.

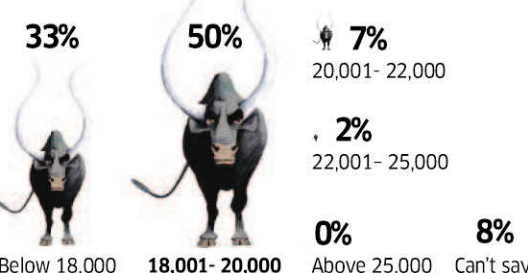
Are You Happy with the Management of the Economy and Business Environment in the Country?



Safe Guesses on Where the Sensex is Heading

It's never easy to predict the stock markets, even for CEOs. Not surprisingly, most forecasts are in a small, safe band. Most expect the index to end the year between 18,000 and 20,000 points.

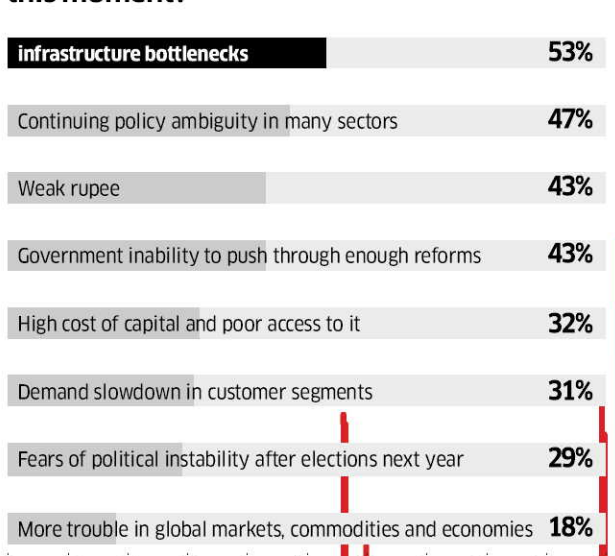
Where do you see the Sensex by the end of 2013?



Infrastructure, Lack of Reforms of More Concern than Falling Rupee

Much of the CEO interviews for this survey were conducted in the fortnight after Independence Day. This was also the rupee's worst fortnight in almost two decades - it bore the brunt of unprecedented battering and depreciated from Rs 61.25 to a dollar all the way down to Rs 69. Seen in this context, it is a bit of a surprise that a weak rupee didn't feature as the biggest concern CEOs are experiencing now. Continuing infrastructure bottlenecks, they say, is a bigger headache. So is the government's inability to push through enough growth-oriented reforms. The weak rupee comes only third among the list of things that CEOs are worried about right now. This suggests that they see the currency only as a reflection of how the economy is faring. Fix the economy and the currency will be fine too.

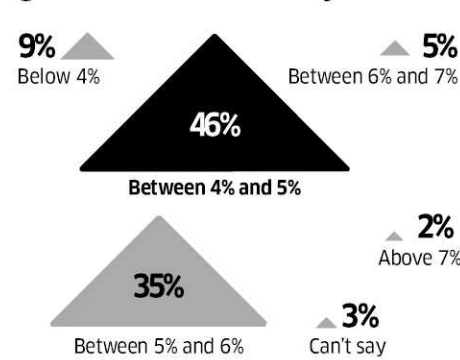
What are your three biggest concerns at this moment?



Has the Economy Bottomed Out Yet?

In the past week or two, global analysts have wielded the axe, slashing India's GDP growth forecasts for FY14. HSBC cut its forecast from 5.5% to 4%, JP Morgan from 5.1% to 4.1% and Nomura from 5% to 4.2%. Goldman Sachs's re-rating was the steepest - down from 6% to 4%. All this came around the time when India reported a GDP growth of 4.4% for the quarter ended June 2013, the lowest in four years. CEOs seem to believe the economy has hit the bottom and things can't get too much worse than this. Only 9% feel growth will dip below 4%. About 42% expect the country will once again achieve the 5% growth, although a majority expect growth will be in the 4% to 5% range for the next couple of years. But there is a significant minority who are optimistic. Seven per cent believe India can still manage a 6% plus growth rate over the next couple of years. Says Sajjan

What is your outlook for GDP growth in the next two years?

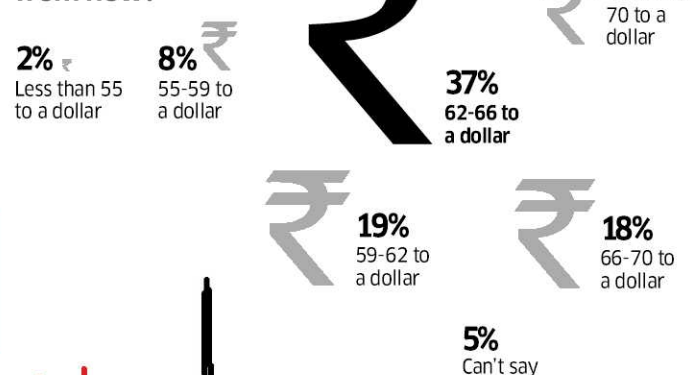


Jindal, chairman and managing director of JSW Steel: "I am not so negative about India's economy. Today of course we are in the midst of a crisis. But I still believe India has phenomenal potential." "Growth will not be less than 5% and post elections should start rising again," adds Janmejaya Sinha, Chairman Asia Pacific, BCG.

Worst Seems Over for Rupee

Over 95% of the interviews for the survey were completed before a swashbuckling Raghuram Rajan took charge as the new RBI Governor, announcing a slew of measures that immediately propped up the rupee. Days earlier, some analysts, notably Goldman Sachs, predicted the rupee could slip to as low as Rs 72 against the dollar in six months. Very few business heads hold that view though. Only 11% said the rupee will slip past Rs 70. On the contrary, 29% said the rupee could recover to under Rs 62. Just over 1/3rd said it could end between Rs 62 and Rs 66, a year from now. So, what's predominant view? "The worst is over for the rupee," says Piramal.

Where do you see the rupee one year from now?



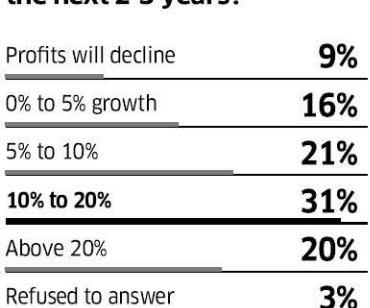
BUSINESS

Business is not Fleeing India

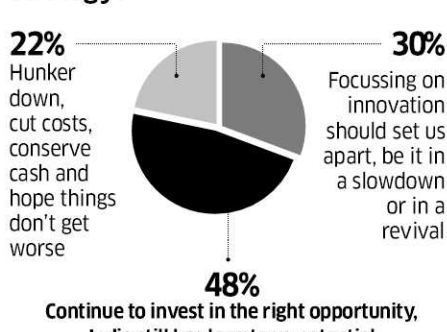
In the July meeting of the Prime Minister's Council on Trade and Industry, Finance Minister P Chidambaram had asked attending industrialist council members, how he could sell the India story to foreign investors if Indian industry does not invest in the country. The question was not unwarranted. Private sector investments have slowed down perceptibly. And, more than one high profile industrialist, in criticism of slow and poor decision making in the country, has publicly said it is wiser investing abroad. Perhaps some of it was public posturing. 44% of CEOs polled clearly favoured investing in India; only 3%

said they will mostly invest overseas. There are a couple of other bright spots when it comes to private sector investments and their profitability expectations. Only 22% of CEOs are enduring this slowdown in a defensive, 'cut-costs-and-serve-cash' frame of mind. The rest are either keen to invest in the right opportunity even now, or are looking to innovate their way through the slowdown. Lastly, 51% of companies believe their profits will grow by at least 10% over the next 2-3 years. Given how much GDP growth has shrunk, this suggests India Inc isn't faring too badly in the slowdown after all.

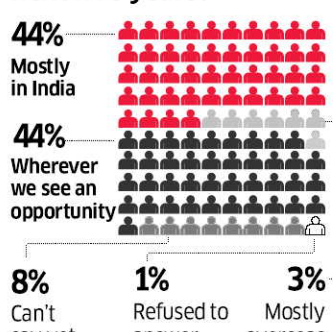
What would be a realistic estimate for your company's annual profit growth over the next 2-3 years?



How would you describe your company's medium term strategy?



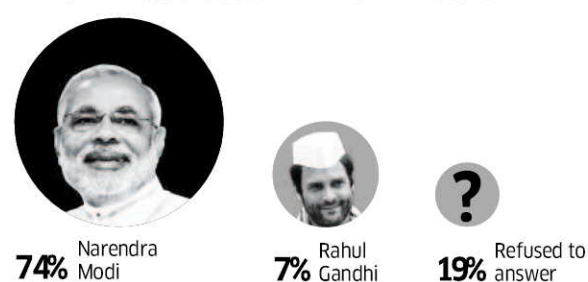
Where is your company likely to invest over the next five years?



POLITICS

CEOs Love Modi But Stability is More Important

Who will be a better Prime Minister?



Post 2014 elections, what political formation at the centre would suit industry and the country best?



METHODOLOGY

Nielsen conducted the ET CEO Confidence Survey on behalf of The Economic Times. The study, targeting MDs/CEOs/Chairmen of companies with revenues more than Rs. 500 crores, was conducted between 1-Aug-2013 to 4-Sept-2013 and covered 100 business leaders. As a first step, the sampling frame - a list of qualifying companies, across industries - was created with the help of data from the ET 500 database and BSE/ NSE websites. Later, other qualifying companies were identified and added to the list after verifying their revenues from reliable sources. Only responses submitted by MDs, CEOs or Chairman were considered for the analysis.