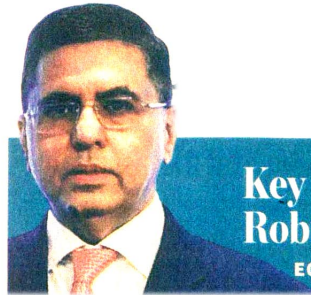


# THE ECONOMIC TIMES

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Wed, 22 Dec-21; Economic Times - Delhi; Size : 410 sq.cm.;  
Circulation:134320; Page : 1



## Key Indicators Point to Robust Revival: HUL Chief

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# Vax Drive, Tax Mopup, India Inc Profits Show Economy on Track: HUL's Mehta

ET Q&A

Pace at which vaccination has picked up, robust tax collections, good corporate profits

and FDI are clear indicators that the economy is on track, Hindustan Unilever chairman **Sanjiv Mehta**, who has taken charge as the FICCI President, said. In an interview with ET's **Ratna Bhushan** and **Deepshikha Sikarwar**, Mehta said government spending needs to be robust to support growth.

## How is the recovery holding? Has there been a slowdown amid weakening demand?

Some of the key indicators – direct, indirect or advance tax collections – have been robust. Corporate profits have been good, which we are seeing in the balance sheets being deleveraged. Exports have really picked up – in the beginning of the year, \$400 billion merchandise exports looked a tall order, but now it is within striking distance. Pace of FDI flows has been good. If we don't have a bad third wave and the pace of vaccination keeps increasing, we have a good setting for getting into the growth rates we have all been craving for. A series of factors will result in growth coming in. The country needs to increase competitiveness and reduce the cost of logistics and cost of capital to global best levels. R&D and innovation will have to move up several notches – that would require collaboration. The government has done a series of things to ease doing business. On Monday, the PM said we've done a lot

of things – industry needs to tell us pain points – we will remove them.

As for manufacturing growth, it is critical for India from a perspective of creating livelihoods. We need more large companies. We need to have MSMEs get access to credit, technology, and innovation.

## Many from industry have spoken about capex plans. Do you see private investments in the coming year?

Private consumption must pick up much more. Jobs must be created; real wages have to go up; that's where consumption picks up. We have not reached that stage yet. But if the economy keeps growing, there is no reason we will not reach that sweet spot when consumption goes up and the economy keeps increasing. We are optimistic; it hasn't reached that side yet, but it is a work in progress. Once consumption picks up, we will see private investments kicking in. Once the capital invest-



ment cycle picks up, you will have more jobs and incomes being created. Till then, government capital spending has a very big role.

## How do you see the impact of the spread of the Omicron variant?

Impact on demand would depend on the severity of the crisis. When mobility goes down, it definitely impacts discretionary categories, which are directly linked to mobility. To what extent a possible third wave curtails mobility will impact demand. From the companies' point of view, we have developed several muscles in the last two

## GLOBAL COMPETITION

To compete on a global level, you need to compete on cost, quality, service and innovation

**SANJIV MEHTA**  
Hindustan Unilever chairman

years – whether in terms of agility, resilience, healthcare, vaccination. Infrastructure has gone up significantly. Now, we are much better prepared.

## How much of a challenge could rising inflation be at this juncture?

Inflation always hits the bottom end of the pyramid harder because your

wallet size is limited. We are still a developing market. We would consider taking up prices further depending on how commodity inflation plays out. Fuel-based, crude-oil based derivatives have gone up to an unprecedented level. We try to optimise every line of P&L, but we must take price increases. The endeavour must be to also protect the business model.

## Can measures such as the PLI encourage domestic manufacturing?

India needs to create a competitive advantage – either you have one or create one. If you need to compete on a global level, you need to compete on cost, quality, service and innovation. For cost, one of the biggest levers you have is scale. What PLI allows is scale. So PLI will be self-paying.

## The government will present the budget in February. What would be your advice to the government on fiscal consolidation? Should they begin the exercise?

Despite massive pressure on revenues, the government did not fall prey to increasing taxes last year. I see no reason why after having brought down corporate tax rates, the government would change those rates. Now the policies will be stable; tax rates will be stable. As far as the fiscal side is concerned, private consumption still has to kick in; we have to sustain growth rates of the economy. So, the government spending must be robust. FM gave a dream budget last year. I think she will continue to manage the economy in a prudent way. There would be a glide path as far as fiscal deficit is concerned.