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India Inc sees recovery getting delayed further

Indian firms are worried that FY16 may turn out to be a washout as demand is showing no signs of a pick-up. The key to recovery will be $300-bn govt orders

Dev Chatterjee | Mumbai June 23, 2015 Last Updated at 00:48 IST

CEOs of leading Indian companies are worried over slow pick-up in demand which they fear could eat into corporate earnings even for the December quarter. With the June quarter expected to be a complete washout, CEOs say signals from the ground is not very encouraging as customers are holding onto their purchases even as crucial government orders are still to come.

Though the fears of a subpar monsoon have now eased, CEOs of car makers, retailers, infrastructure and cement companies say, there is not enough stimuli for the economy to pick up. A cut in rural spending by the government is another reason why slowdown is expected to persist, they say.

"The prime drivers like auto, engineering, metals, machinery would take time to recover and this could mean another quarter or so," said DR Dogra, CEO and MD of Care Ratings.

"The statistics show various infrastructure sector such as power, cement, coal and refinery products are still not doing well. Though there were some positive action by the government, and inflation is declining, demand still remains an issue," he said.

India Inc had expected the government orders to drive growth but these orders are expected to take more time. Construction & engineering giant, L&T's officials say dedicated freight corridor, railway metro projects, buildings and factories, within infrastructure, will be the key drivers for growth. But larger defense orders will materialise only by next year at best, with execution in Fiscal 17-18. "The optimism of India Inc for a recovery by December quarter now looks bleak," said CEO of a defence company.

In the crucial infrastructure sector, CEOs say they are still waiting for the government to give orders for marquee projects like Metro projects in key cities, Mumbai's trans harbour bridge, Navi Mumbai airport and coastal road. A large number of orders are expected from the public sector companies which are sitting on a huge cash pile. Apart from $300 billion or orders from the governments, orders worth $51 billion

are expected from Indian public sector companies including refinery expansion, steel projects and clean fuel projects but it will flow only by fiscal 2017 though preparatory work for the orders is currently on.

It's not only the infrastructure and engineering companies; the consumer companies like automobile and retailers are also expecting the consumer demand to take time. Car makers say the demands for new cars remain tepid and this year's festival time will be key for revival though market leader Maruti Suzuki sold 1.14 lakh units in May 2015, a growth of 13.8 per cent - driven mainly by low its cost cars.

The same store sales of most of the retailers remain weak in June quarter till date and company officials say they hope consumers will come back to the stores by the festival time.