

INDIA ELECTION FLASH



SPECIAL ISSUE

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T&A CONSULTING

India, Now Open For Business

Its official now—India will have a new Government in place. After 10 years at the helm, the United Progressive Alliance led by India's Grand Old Party—the Indian National Congress—has given way to the Bharatiya Janata Party (BJP) led National Democratic Alliance.

India's 14th Prime Minister, Narendra Damodar Modi, according to analysts and media alike has been credited with having catapulted the BJP to lead the Government of India, its second stint in the last 15 years. Mr. Modi is widely seen as an experienced politician, an effective administrator, and a business friendly reformist leader. What does this election verdict mean for India?

For starters, over the last three months the business sentiment has looked more upbeat than it has in over two years. This is now expected to find way into the tepid investment cycle and eventually to the potential GDP growth path of 7% within the next six quarters.

The Indian equity market, a prime barometer of sentiment, has been scaling all time highs over the last three months. Foreign Institutional Investors have consequently placed USD 6.0 billion in bets year to date. It is expected that FII inflows in the current financial year (FY 2015) will surpass the FY 2014 figure of USD 13.6 billion by a wide margin to

touch between USD 30 billion to USD 40 billion.

This dollar inflow has also meant that the Indian Rupee has been strengthening over the past two months. In the run up to the election results, the rupee has broken through the psychological mark of INR 60 to a Dollar and is currently trading at INR 58.71. While, this may pose a challenge for the exporter community, encouragement in the capex cycle is expected to balance out the impact of a strengthening rupee.

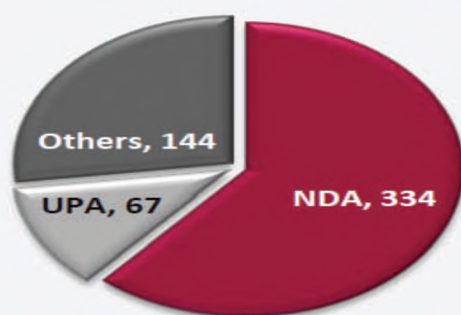
With respect to policy, Mr. Modi is seen to be in favour of long standing labour reforms in the country that should support a spurt in manufacturing. Infrastructure spending is yet another area of focus for the BJP lead alliance. Their election manifesto promises to build 100 new cities, which translates to an investment of USD 2.0 trillion. According to industry analysts, this kind of investment has the potential to increase India's annual infrastructure spending by 35-70 per cent across various phases of development over the next few decades.

While Mr. Modi has ridden an expectations wave, his real challenge, say experts will be to find jobs for 10 million young Indians that enter the workforce annually.

But for now, truth be told—India Is Now Open For Business.

Election Results

Lower House Election Leads Total Seats 543



NDA: National Democratic Alliance, led by Bharatiya Janata Party

UPA: United Progressive Alliance, led by Indian National Congress

Source: NDTV 24*7; Leads at 12:30 PM