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business today POWER BREAKFAST in association with The Oberoi Group

Strengthen the Core

CEOs at *BT* Power Breakfast in Chennai were unanimous in the view that India too can build infrastructure ahead of demand. By N. MADHAVAN

PHOTOGRAPHS BY JAISON G

Building thoughts: (Seated, from left) Nigel Harris, President, Ford India; Pashupathy Gopalan, President and MD – Asia, SunEdison; Ranganath N.K., MD, Grundfos Pumps; and Ravichandran Purushothaman, President, Danfoss India. (Standing, from left) Ravindra Sannareddy, MD, Sri City; Suveen K. Sinha, Executive Editor, *Business Today*; Dhiraj Mehta, General Manager, Trident Chennai; A.V. Dharmakrishnan, CEO, Ramco Cements; R. Ramaraj, serial entrepreneur and Co-founder, Sify; and L. Ramkumar, MD, Tube Investments of India

Indian companies have mastered the art of managing with little and finding ingenious ways to overcome shortages. This is especially true with respect to infrastructure, whether it is power, roads or ports. Can the Narendra Modi government, backed by a massive mandate, bring about a change?

This and many other thoughts occupied the minds of the CEOs who had assembled at Trident Chennai for *Business Today*'s Power Breakfast organised in association with The Oberoi Group on June 23.

The topic of discussion over a sumptuous breakfast was *It is time to build infrastructure ahead of demand.* The panellists included Nigel Harris, President, Ford India; L. Ramkumar, Managing Director, Tube Investments of India; A.V. Dharmakrishnan, CEO, Ramco Cements; Ravindra Sannareddy, MD,

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Sri City; Pashupathy Gopalan, President and MD - Asia, SunEdison; Ravichandran Purushothaman, President, Danfoss India; Ranganath N.K., MD, Grundfos Pumps; and R. Ramaraj, serial entrepreneur and Co-founder, Sify. The discussion was moderated by Suveen Sinha, Executive Editor, *Business Today*. Dhiraj Mehta, General Manager at Trident Chennai, hosted the event.

The discussion initially revolved around the problems. Sri City's Sannareddy started the proceedings by pointing out that India had lost an opportunity to bridge the infrastructure gap when it failed to effectively implement the special economic zones (SEZ) policy. "It is unfortunate that even 20 years after opening up our economy, we are still talking of infrastructure shortages," he said. His frustration stemmed from the fact that as head of a multi-product SEZ, the infrastructure shortcomings blunted his otherwise strong sales pitch. Sri City, located in Andhra Pradesh about 100 km from Chennai, is spread over an area of 6,000 acres and has investments by over 100 companies from 25 countries. It is one of the very few SEZ success stories in the country.

Ford's Harris said that by 2020, the size of the car industry will touch seven million units annually. Even if India had the third-longest road network after China and the US, he is still unsure if the country can handle so many cars that will hit the roads.

The problems are not just restricted to infrastructure creation. What happens when there isn't adequate infrastructure to operate facilities that are already on the ground, asked Dharmakrishnan of Ramco Cements. "We have a large wind energy capacity in Tamil Nadu which has a power deficit. But for a large period of time, we are forced to keep the windmills idle as there is no evacuation capacity for the wind power generated," he added. No wonder the World Economic Forum has ranked India 85th among 145 nations when it comes to infrastructure.

Nigel Harris
President, Ford India

To support industry they (China) create infrastructure. The speed is amazing and execution is very good

Pashupathy Gopalan
President & MD - Asia, SunEdison

Under the right conditions only infrastructure can give returns of 15 per cent over 25-30 years

Ranganath N.K.
MD, Grundfos Pumps

Our planning is skewed. We don't look at a 25 to 30-year planning cycle

"When there is so much of demand (for infrastructure), the players in the sector should ideally be making a lot of money, but that is not happening. Why," asked Sannareddy. This turned the discussion to planning. "We do not think through infrastructure projects enough," pointed out Ramaraj. He gave the example of Chennai's IT Corridor where knowledge-based industries have flocked. Many housing projects have come up in the area, but there are few takers as the traffic congestion has driven up the travel time to the city. Ranganath of Grundfos Pumps agreed: "Our planning is skewed. We don't look at a 25 to 30-year planning cycle."

Danfoss India's Purushothaman chipped in with an interesting data that exposed the country's lack of comprehensive planning. "In the last 10 years, India has made significant progress in the horticulture sector. We produce 30 per cent of the world's bananas, 40 per cent of mangoes, 15 per cent of milk and four per cent of meat, but 95 per cent of cold storage investment in this period has gone into onion and potato," he said, adding: "Consequently, even when food inflation is at seven per cent levels, we waste 35 to 50 per cent of our 180 million vegetable output." Worse still, only four per cent of investment in the transport sector is in refrigerated trucks, while it is as high as 30 per cent in Brazil and Thailand, he added.

If planning is patchy, execution is terrible. "Land is a big issue. There is no clarity on acquisition and resettlement," said Gopalan of SunEdison. "A few years ago, we acquired as much as 8,000 acres of land for Sri City without any issues. Today, we will not be able to acquire even 10 acres. The new Land Acquisition Act has swung the pendulum to the other side," Sannareddy pointed out. Then there are issues of clearances.

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Ravichandran Purushothaman
President, Danfoss India

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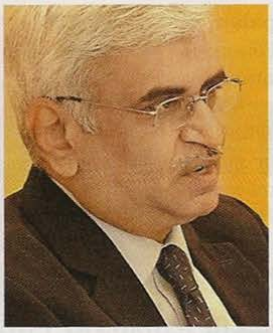
Ravindra Sannareddy
MD, Sri City

It is unfortunate that even 20 years after opening up, we are still talking of infrastructure shortages



A.V. Dharmakrishnan
CEO, Ramco

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R. Ramaraj,
Serial entrepreneur & Co-founder, Sify

Telecom infrastructure was built when no one knew when the operators will make money

Purushothaman said that 32 different approvals are required to set up a cold storage project. *BT*'s Sinha chipped in with some distressing data. He gave the instance of a company whose power project file had to move through 1,568 desks before approval. Lack of policy consistency and corruption too weigh in.

What about funding? Most panellists agreed it was not an issue. "Telecom infrastructure was built when no one knew when the operators will make money," pointed out Ramaraj. The governments are spending a lot of money on welfare schemes. Some of it can be used for infrastructure development, said Sannareddy. Ranganath said there are many instances of projects which are sound finding the required money. Dharmakrishnan recalled the days when he had to spend close to 15 days in Mumbai to raise ₹1 crore. Today bank chairmen come calling asking if the company needs ₹1,000 crore or more of funding, he said. The lone voice of caution was Gopalan who felt that long-term money is critical. "We need long-term money with tenure of 20 to 30 years and that will come only if there is security and adequate return."

Ramkumar of Tube Investments of India blamed the lack of long-term funding and consequently the high rate of interest for infrastructure funding on the risk element. "In India, policy inconsistency and corruption offer very little certainty when it comes to timely completion of projects," he said. If there is a clear policy framework and improved ease in doing business then the risk factor will reduce. "This will make infrastructure funding one of the safest investment option," he added. It will also make infrastructure as a business attractive. "Under the right conditions only infrastructure can give returns to the tune of 15 per cent over a 25 to 30-year period," Gopalan added.

L. Ramkumar
MD, Tube Investments of India

Policy inconsistency and corruption offer very little certainty when it comes to projects' timely completion

The discussion then veered towards China. How is China managing to build infrastructure so efficiently? Harris, who spent over six years in Ford China before coming to India, attributed it to its planned economy approach. "They want to improve the state of the people and industrialisation is their way forward. To support the industry, they create infrastructure. The speed is amazing and the execution is very good," he said.

So, what should the Narendra Modi government do to pull the country out of the infrastructure quagmire? The panel was unanimous in its recommendation: have a clear policy framework, eliminate corruption, improve the ease of doing business and ensure policy certainty. ◆

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