

GOVERNMENT SHOULD LAUNCH 'FOOD AND MEDICINES FOR WORK' SCHEME, SAYS MR. RASTOGI

The entire world is navigating through an unprecedented healthcare and economic crisis, while businesses and the general public are coming to terms with the new way of life. Mr. Siddhartha Rastogi, Managing Director, Ambit Capital Asset Management feels that this is the right time to re-plan the future of your business and your life.

In an interview to MVIRDC World Trade Center Mumbai, Mr. Rastogi offers actionable suggestions to policymakers, businesses and salaried workers. Specifically, he advises governments across the world to launch '**Food and Medicines for Work**' programme for the welfare of the common man.

Excerpts of the interview:

In your opinion, among the myriad of problems faced by Indian economy as a result of Covid-19 pandemic, which is the biggest concern and how can India come out of it?

In every grave situation, there are only two consequences:

Economic and Medical

My reckoning is medical consequences or medical outcome will take 12 to 18 months (from date of inception of Covid 19) to unfold completely.

To exit the pandemic, World needs Herd Immunity.

Herd Immunity comes only through mass infection or mass vaccination. If infection goes up, the number of casualties associated with it will also rise. What are the possibilities in such a case?

There can be only three probable scenarios

1. Large number of people get vaccinated – Not possible to vaccinate even 20% of global population (~ 8 billion) in next 18 months.
2. Complete lockdown.
3. Graded lockdown or graded opening up.

If number 2 option is adopted completely, financial cost of lockdown will be severe and hence graded lockdown or graded opening up will be a much better approach, which most nations and most governments across the world will follow.

Economic repercussions will follow parallelly with medical outcome.

The biggest economic outcome amongst all things would be Job losses, business failures (default on borrowings due to high amounts of leverage in financial system) and poverty.

Large number of industries including luxury, aviation, travel, tourism, sports, cinema, movie screening, construction, real estate, malls, retails high-end cars and hospitality, will get hit adversely.

Due to business failures, the economic activity will reduce, receivables will go bad and borrowers may go under.

Governments across the world and in India will need to start **Food & medicines for Work** in a seamless manner using technology so that last man standing can also get the benefit.

Beyond monetary measures which India has undertaken, serious fiscal measures to get economic engine going will be needed to put economy back on track.

The government today needs to start planning the work to be done by people in lieu of food and medicines such as building infrastructure for the country. Almost all financial costs involved in such projects and payments thereof have to be guaranteed by government as none of the institutions which deal in infra or large projects would have ability or credibility to raise further debt at this juncture.

To summarise:

1. Food and Medicines for Work
2. Central government to loosen its purse, let of fiscal target and spend money on infrastructure creation. **Rebuild India, Rejuvenate India!**
3. Public sector financial institutions need to be capitalised even more and nudged to lend to low ticket loans below INR one crore in the form of working capital to ensure liquidity comes back in the system.
4. Banking sector needs to be nudged to pass on rate cuts induced by RBI to be completely passed on to borrowers.
5. Personal tax cuts and tax holiday for six months or 12 months in order to revive economic consumption.

With a global recession underway, how is your company servicing its clients on wealth creation?

In India, essentially there are only four asset classes, debt, equity, real estate and gold. Rest all is a mix and match of everything.

People have shied away from real estate thanks to slow down since 2018. Gold as an asset class, people will keep buying opportunistically. Debt will become even more risky as rate of default and rate of insolvency will jump with weak underlying global and domestic economy. Equities will remain volatile.

However dominant, cash rich, negative working capital, inelastic demand oriented, B2C businesses are available at relatively reasonable valuations which will create wealth for investors, who have 3-5 years holding period. Hence, one needs to stick to unleveraged, clean and consistent businesses with dominant market share providing goods and services at lowest level of consumption.

What is your forecast for India on the ongoing Covid 19 pandemic? How long do you think it will last? Do you see some sectors of the economy coming to a virtual closure?

As mentioned above, complete lockdown may get over in next four weeks, but gradual or graded lockdown will remain a reality for anything between 6-9 months. March 2021 is earliest one can think of **exiting** Covid 19 situation medically and bringing normalcy back through free movement of people? (This is the best case scenario)

Things can remain unsettled for longer periods of time at least that's what history tells us.

What are the lessons learnt from this pandemic?

- a. Use resources righteously.
- b. Mother nature can provide for everyone's need not for everyone's greed.
- c. If you create nuisance for others, the same can come and bite you as well.

- d. During good times, create business and buffer which can come handy during adversity.
- e. Disaster management system and disaster management economics should be thought through on a periodic basis, as it will keep hitting with unfailing regularity. However, practicing it on a constant basis will ensure its swift execution and disaster will hurt less.

**How would you like to advise trade and industry on the way forward?
(Focused mainly on SMEs)**

1. The sole purpose of business is to generate profits and help community around you, not generate only sales.
2. Buying sales is easy, generating consistent profitability is hard.
3. Scale without margins can take company down; leveraged scale without surety of margins is the first nail in the coffin.
4. Learn to say no to sales, if margins are not maintained.
5. Paying dividends and share buybacks are good way to reward shareholders but rewarding shareholders on borrowed capital is foolish.
6. Avoid diversification, increase efficiencies.
7. Boring is beautiful. Keep doing same thing again and again to improve the output economically and operationally.
8. Reassess and question your existence and the entire business model every year, you may have just gone redundant last quarter with you not knowing about it.
9. When the writing is clear on the wall, cut your losses and run. The strategy of hope will not work, then.
10. Rethink every cost before you incur.
11. Keep looking at marginal profitability with every new customer and with every new product range.
12. Rather than diversifying, build adjacencies to bring economies of scale.
13. Your brand and brand promise matters, keep it under close guard.
14. Keep cash on balance sheet always for the rainy day.
15. Be part of the global value chain which is difficult to replace.
16. Either produce lowest ticket item with good brand or be the smallest component but irreplaceable in a big product. Under both circumstances, be relevant and irreplaceable for your clients.
17. If you can't generate consistent profitability, sell your business and manage fund and use life for something else.
18. Very good time to rethink your business future and your life future.

NOTIFICATIONS

DGFT

- [Amendment in Export Policy of APIs and formulations](#)
- [Retrospective Issuance of Certificates of Origin](#)
- [Amendment in Export Policy of Diagnostic Kits](#)
- [Amendment in Export Policy of Hydroxychloroquine](#)

Press Information Bureau, Government of India

- [DAILY BULLETIN ON COVID-19](#)
- [MSME Technology Centres contribute to fight against CoVID-19](#)

MVIRDC World Trade Center Mumbai

Center 1, 31st Floor, Cuffe Parade, Mumbai - 400005, Maharashtra, India

Call : +91-22-6638 7272

E-Mail : marketing@wtcmumbai.com

Website : www.wtcmumbai.org