

Time for biz to **shore up cash**, says Uday Kotak

face to face

UDAY KOTAK, president, CII

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MUMBAI: Indian corporates and the financial sector need to venture outside to raise capital and emerge stronger from the crisis caused by the coronavirus pandemic, billionaire banker Uday Kotak said.

Kotak, president of the Confederation of Indian Industry (CII) and managing director and chief executive of Kotak Mahindra Bank, said there are sufficient funds and enough investor interest, provided firms are ready to take bold decisions, as the markets are looking beyond this fiscal while making investment calls.

Edited excerpts from an interview:

How do you see recovery in the current context?

We should take a cue from the capital markets. If you talk to analysts and investors in capital markets, corporate earnings for 2020-21 are a washout. They would say we are focusing on earnings of fiscal years 2021-22 and 2022-23. We have to use similar lens with respect to GDP.

The fact is that the biggest shock of the century is in front of us. The shock isn't going away. Virus is remaining, there is no cure, and the vaccine is far away. Lockdown is complicated and getting out of lockdown has economic costs. If you look at the GDP growth for the current year, we had a complete close-down for the

month of April.

We gradually tried to open up in May and then a little more in June. I would look at GDP growth for this year not as an average. I will look at it granularly and modularly month on month. I will look at high-frequency parameters like electricity consumption, car registrations, GST collections.

I hope by the end of the year, we get back to close to 100%, which means close to normalcy. It's going to be a gradual build-up towards normalcy. We need to make tough choices and tough decisions.

How should India Inc. overcome risk aversion towards making new investments?

The shock of covid is significant. First is to get the mindset open to risk-taking. That's the first important step to be taken. There are three sensitivities which have put pressure on the sector.

Companies or businesses under frontal attack from covid like airlines, hospitality and tourism will take the immediate brunt. Those companies will be more cautious as they put money to work. Any company that got into covid with a high fixed operating cost will have a bigger challenge. Sharp fall on the revenue side and high fixed operating cost will put pressure on the company.

Any company with a high debt-equity ratio or leverage ratio; those companies will have to correct it. Historically, many companies would have



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been running high leverage ratio as the debt-to-earnings before interest, taxes, depreciation and amortization (Ebitda) ratio was very good as they are making a lot of Ebitda. When Ebitda comes under pressure due to covid, the absolute leverage ratio starts putting pressure.

Should RBI allow special restructuring packages for airlines and hospitality?

I believe RBI may consider a recast package and banks can take a call whether it makes

sense. Restructuring packages should be allowed for all sectors...and banks can decide on a case-to-case basis.

My approach is non-performing assets (NPAs) are a matter of accounting. If I believe a firm has a chance to succeed but has temporary cashflow issues, I should be ready to take a decision to restructure that account and take it as an NPA. Provided, my money is safe. The matrix we should be looking at is the safety of our money rather than what accounting will do.