



HUL chairman and managing director Sanjiv Mehta.

Only agri reforms can catapult economic growth: HUL's Mehta

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For far too long, India's economic growth has remained trapped in a range, give or take a couple of percentage points. How does it break out of this range and soar to the levels that China has achieved? India's largest consumer goods maker, Hindustan Unilever Ltd (HUL), has a one-line answer: implement agricultural reforms.

The company, whose financial performance is often seen as a proxy for the Indian consumer sentiment, on Friday posted a 9% increase in net profit in the December quarter, its slowest pace in the last seven quarters.

According to HUL chairman and managing director Sanjiv Mehta, the frenetic infrastructure building of the last few years has helped manufacturers quickly reach remote parts of the country and boosted demand and this would accelerate if agricultural reforms were to follow.

"I think the challenge for the country is to cross the chasm, between the 6.5 and 7.5% growth that we have been

delivering in the recent past, to the 8-9% kind of growth rate or, importantly, the kind of growth that China delivered over a 20-year period, which was double-digit growth..." Mehta said in an interview at the HUL headquarters in Mumbai's Andheri on Friday. This chasm can be crossed, he added, when India believes it needs to make rural India a very clear part of the economic growth story through "very clear agricultural reform".

"Agricultural reforms will result in agricultural wages going up, agricultural total income going up, and not just relying on feeding MSPs (minimum support prices), where also effective implementation can be a question mark in different parts of the country,"

The challenge is to cross the 6.5-7.5% growth chasm to an 8-9% rate, says HUL chairman and MD Sanjiv Mehta

Mehta said.

The Central Statistics Office on Monday released the first advance estimates of gross domestic product (GDP) for 2018-19, which show that the Indian economy is likely to grow at 7.2% in the year ending 31 March. The estimate indicates a potential deceleration in economic activity during the October-March period.

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Only farm reforms can push up growth: Mehta

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"We are very pleased with the investments, which is happening in infrastructure. We have very clear evidence that in any village where infrastructure gets created, the market starts growing 1.3x-1.5x to the previous growth rate," said the chairman and managing director of HUL.

Despite headwinds such as demonetization and the goods and services tax, HUL's revenue has steadily grown in the last two years.

October-December was the fifth consecutive quarter in which HUL's revenue grew in double digits, despite the high base of the previous years. After it announced its September quarter results, the company's stock gained by 11.5% against a 4% rise in the benchmark Nifty index.

Mehta hopes better sense will prevail amid rising nationalism across the world.

"So, when you move from a creed nationalism to an ethnic nationalism, then you become more parochial. Everyone starts looking at it from their national interest. I would believe that sanity should prevail," said Mehta.

India's resilience will be backed by its inherent

strengths, which revolve around consumption, and the fact that the country has not yet taken the shape of an export behemoth, said Mehta.

"We are a country where 60-70% of our GDP is driven by consumption, and most of it is domestic consumption; and if there is a trade war between the US and China, it will have an impact because we are part of the global ecosystem, but you look at it from India's lens, it should not have as big an impact as it should have on many other countries," he said.

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more technology and become more modern, he predicted.

"The general trade will remain the biggest channel in the country for the years to come. But, general trade will also get

reinvented. Signs of retailing will come into general trade. Technology will come into general trade. It will get wired up to an increasing extent and you will get into a stage where general trade will be able to have assortment and cater to the needs of neighbouring shoppers in a far bigger way than they have ever done," he said.

And if that happens, that "will be the redemption going forward".