

From the Editor

Raghuram Govind Rajan is a lucky man. Two weeks into his new job as Governor of the Reserve Bank of India his friend Ben Bernanke, who he calls “cautious and nuanced” in his book *Fault Lines*, handed him a big gift – a delay in the “taper” in the US Federal Reserve’s quantitative easing programme. A few days earlier, what had seemed like an imminent US attack on Syria for its use of chemical weapons on its own citizens had eased off, and reduced the chances of a dangerous new spike in oil prices. India’s stocks and the rupee recovered somewhat. A wind-down of the Fed’s \$85-billion-a-month bond purchases would have hit market sentiment hard. Rajan was at pains to tell reporters on September 20, when he unveiled his first credit policy, that the RBI had already factored in a tapering. “How many times should we prepare for a tapering? Isn’t once enough?” he asked rhetorically, after saying the RBI was crafting policy notwithstanding anything the Fed did or did not do. Rajan’s decision to raise the repo rate by 25 basis points seemed as contrarian as Bernanke’s “as we were” a day earlier, but the RBI governor made clear he saw the postponement of the tapering as just that, and that he was focused on reining in inflation. As India’s growth decelerated, he said, there would be an inevitable disinflationary pressure. In his book, however, Rajan writes: “However, there is still a short-run trade-off between growth and inflation, stemming from the notion that every economy has a potential growth rate – an inbuilt maximum safe speed. Make the economy go any faster, and wages and inflation start

accelerating because demand exceeds productive capacity...” As is getting to be routine at *Business Today*, the Fed’s inaction and the RBI’s action took place just as we were going to press, but nothing daunted, Senior Editor Anand Adhikari reads the economic runes for us from page 15.

There has been a tapering of a different sort in India – the Southwest Monsoon is starting to fade away. Agriculture was the only bright spot in the economy’s dismal performance, but that has not prevented the price of onions from sky-rocketing. We believe in peeling away the layers to bring you the trends. In the third *BT-Morningstar* Asset Allocation Survey, an even

number of respondents see the rupee trading between 60 and 62 to the US dollar and 62 to 64 to the USD. Seventy-one per cent of the 14 mutual fund houses that responded see the US continuing to be the biggest draw for institutional investors, but the survey also shows pessimism about the banking, real estate, capital goods and power sectors over the next year. Senior Associate Editor Mahesh Nayak parses the survey’s findings from page 36 and finds a mix of pragmatism and cautious optimism amid the gloom.

Not so with many Indian companies getting sucked down by the quicksands of debt. When the times were good, several companies went on a borrowing spree. Now they are starting to sell off assets, and many promoters are pledging huge chunks of their holdings to keep the wolves at bay. These are not distress sales, but they are bad enough to cause the RBI’s Rajan to take a hard look at banks’ non-performing assets, the polite way of describing loans that have gone sour. A *BT* team of reporters led by Adhikari pieced together a sobering report that I commend for its painstaking detail and financial analysis.

However dark our skies, India is never short of good-news stories. This fortnight we launch the first *BT-YES* Bank Emerging Companies Survey. It promises to set a new benchmark, just as many of our other surveys have over the years. A total of 526 companies with a turnover of between ₹200 crore and ₹1,000 crore in 2011/12 applied for the awards. The ten winners were picked after a spirited and exhaustive examination by a jury headed by Ashok Chawla, Chairman of the Competition Commission of India. Deputy Editor Alokesh Bhattacharyya led the team of N. Madhavan, Mahesh Nayak, Manu Kaushik, Arpita Mukherjee and Dearton Thomas Hector, and you will enjoy reading the cover package they pulled together starting from page 56.



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