

In the next 6-12 months, you will see an economic recovery: Anand Mahindra

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Anand Mahindra, Chairman, Mahindra Group, is fairly optimistic that the bankruptcy code, the NCLT and the RERA mechanism are going to pay off and will lead to business consolidation. He spoke to ET Now.

Edited excerpts:

Nayantara Rai: These are fabulous initiatives that you guys do, ideas on how to urbanise India, new ideas for new India are perhaps another way of putting it. But do you think that India is moving towards better developed cities, we are still suffering from choked cities, congestion for example. There is not enough housing.

Anand Mahindra: The question is are we moving towards better developed cities. Given where we are, any movement has to be for the better because we are starting from a very low base. One of the things why we are doing this conference is to create awareness to put urbanisation at the centre-stage. If you look at the political history of this country, there has always been a little bit of bias towards anything that is perceived as elite and in a very funny sense, urban dwellers were seen as elite and somehow resources, planning, priorities were all pushed towards rural areas.

Now, I am not saying rural India should not get the focus. As you know, the Mahindra Group is very involved with rural India as well, but I think people have to understand how important urban centres are for economic growth. You cannot move to 8 per cent growth unless your cities are growing as well and these are magnets for people to come and better their lives to rise as we like to say in India. So, we are very much at the centre of urbanisation in India through two private cities that we have built, Mahindra World Cities. We are the only private sector developers to have built two complete cities. We believed it was our responsibility to also become thought leaders and try and create awareness about the larger imperatives for urbanisation.

Nayantara Rai: So, having said that and incidentally our logo at ET Now, our motto is Rise With India. So, I think we have good synergy over there...

Anand Mahindra: Maybe, we will have to get our lawyers on to you now...

Nayantara Rai: But Housing Minister Hardeep Puri has been at this conference and said 70 per cent of India still has to be built, 90 per cent of tax revenue earned by the government actually comes from the cities, but it is so unfortunate that the government gives so little back to the cities.

Anand Mahindra: Absolutely. It is not even recognising that this is the golden goose. And he was extraordinary this morning if you heard him speak that gives me hope by the way when you have minister of state with independent charge for urbanisation coming in and speaking with so much familiarity, so much about the topic and not just intellectual stuff, he was talking about action. I came out of his session being extremely optimistic that there is going to be a shift in the government now of recognising that urbanisation has to take priority and metros now have to become gateways to the new endeavour of future. So, I am going away already from the first session of this conference with great optimism.

Nayantara Rai: On one end, we talk about things like artificial intelligence. On the other side, we talk about Swachh Bharat and building toilets, but that I guess is the reality of India. But something else I want to touch upon with you. When the Modi government came to power, the big bet seems to have been on smart cities. Do you think that is the right way to go? Yes, there has been work that has taken place as far as smart cities goes. Hardeep Puri, the minister, spoke about it today, but how realistic and feasible is it or is it the only way?

Anand Mahindra: I was just going to say if that was the only thing they were doing, then maybe, we could ask ourselves this hypothetical question – is that the right way to go? Frankly, this government if anything has been blamed for having a plethora of initiatives, too many initiatives. The way I look at it is that this government is actually signalling what are the areas a complex country like India must look towards and I think the prime minister has almost like a broken record been talking about his policy of empowerment of federalism. So, if you really look at what has been done, he goes out and says look this is a major problem for India. If we do not clean up India, you are never going to be counted among the ranks of the developed nation. You will never get tourism to really prosper in India. Then, he brings up a host of issues whether they are even down to your LPG gas cylinders, then in cities, he is talking about a multiplicity of initiatives.

As the minister said today, there are three paradigm shifts, there are three big policies – the smart cities, there is this awas yojana as well. So, he is talking about a number of initiatives. We should not really be asking is this the right way to go. It is one of the things we have to look at. The question is it is now... he is even left it to state governments and the central department to figure out what do we mean by smart. I think conferences like ours are serving as nukkad... where we can sit down and come to a consensus what do we mean by smart, that is one of the topics that will be discussed today.

Nayantara Rai: In fact, this government is also trying to do what they love to call cooperative competition. Competitive federalism is how they describe it. Do you think it is working out though the prime minister left a lot to the states,

but are states catching up?

Anand Mahindra: I do not have evidence on the ground. I cannot cite statistics. Is there competition between states? Let me just tell you that a lot of business people are scrambling just now to try and make sure they can go to every investor summit. I have one on the Sunday. I have another one in UP to go to. Is that competitive federalism? Yes, I think it is. Each one of them is actually scrambling to try and get us to invest, try and make the ease of business better for us. I think the competition is working, yes.

Nayantara Rai: In one of the answers you said like for example you are convinced on metros. We talk about metros which all the cities still do not have. We also talk about a bullet train, but with a lot of our Rajdhani and regular trains, there is a safety issue. While we are talking about urbanisation, how should we juxtapose all of this?

Anand Mahindra: That is the complexity of urban areas. Ironically and not many people know that, but I actually studied architecture in city planning in JJ College of Architecture, Mumbai for two years. The college went on strike incidentally, which is why I ended up going overseas and then studying film making of all things. But I have always been obsessed by city planning and I remember that one of the first games that came out -- computer games -- was called Simcity. Simcity came way before your time by the way, but it was a city where you sat down and actually planned out what a city should be. Let me give you our own experience of how complex this is, the kinds of things that come in. When we built Mahindra World City Chennai, we built it almost in a Simcity mode. We started looking at, well, here is where you live, here is where you go to work and here is where you play. These are the common facilities. We are done. Is it not wonderful?

And one of the first failures we found was the city did not have a soul. The people there were not connected. The people did not know what to do in the evenings. There was not enough connectivity between them. There was not enough energising... so what are we doing? I will just give you one example. One of the biggest recent initiatives is the Mahindra World City Marathon and now, we have got 3,000 people who come in from Hyderabad, from all over to participate. Suddenly there is life. Woh jaan aai gai hai, as they say. Woh that jaan was something we forgot.

Nayantara Rai: There are few business leaders like you who are doing this. I do not mean it is just from the business perspective, but also from the social aspect. And there, do you think that maybe the government needs to incentivise business leaders to re-enter real estate and construction?

Anand Mahindra: I have always been very suspicious of the word incentive because what it implies is that when that incentive is withdrawn or no longer exists, there will be no logic for the commerce. That is very dangerous. So, I call them catalysts, if you will. You need catalysts at some point. Yes, there has been trouble in real estate in India because of finance, because of bad practices being followed. So, what is the government doing to try and help it? I do not think it is incentives, I think it is in fact the bankruptcy code which is going to help. It is the NCLT which is going to help. It is RERA which is going to help. It is

going to force better practices. It is going to force consolidation. It is going to force the fittest to survive and then, you have people following the right practices who are financially sound. The urban opportunity for building in India is one of the world's biggest opportunities. You do need to have an incentive to go in there. You just have to be not stupid and you will find enough incentive to go in. So, the government needs to catalyse certain ecosystem elements like facilitating consolidation, better practices and I think business will follow.

Nayantara Rai: But would you be right in making an observation that perhaps we are now going to see the re-emergence of real estate even as an asset class till that trust deficit is taken care of? So, until you get the buyers back in the market, builders are not going to be interested in building any more. So, it is like a chicken and egg situation?

Anand Mahindra: You took the words out of my mouth which come first. First thing first is GDP. You get 7.5 per cent and 8 per cent GDP all the world's investors are going to look for here... Once funds come in, then you can finance big infrastructure plans. When you have big infrastructure going in, you are going to get people movement and migration. When you do, you will get an interest in dwellings and commercial space. When you get demand for that, you will find business people coming in. So, you are right, which one comes first...

Nayantara Rai: Because to reach that 7.5-8 per cent, you need construction. Is it a multiplier?

Anand Mahindra: So, life is always a circle, is it not? We know that in Indian philosophy, it is always circular. You have to catch it somewhere. You have to start that flywheel in the auto industry, we call it the flywheel you have to get that moving. So, what we criticise sometimes in this government's multiplicity of initiatives just think of many hands trying to move the flywheel. At some point, when that flywheel gets moving, you are going to see that activity coming in and then we would not be asking whether it is the chicken or the egg, everybody will be just scrambling to get on the bandwagon.

Nayantara Rai: But do you think the pain is over as far as real estate goes, do you think we have bottomed out?

Anand Mahindra: I am not completely 100 per cent au fait with whether it is or not. I keep asking the CEO of Mahindra Lifespaces Anita and Sangeeta as to whether it is. They seem to feel there is going to be a little bit more pain before there is a revival. When I talk to other developers, some of them are much more optimistic that the revival will come sooner than later. I do not have a feel, I will be honest, but I think I see the larger flywheel moving. I see the economy recovering in our other businesses, for example. You know that our sales figures are out for the last quarter, our results are out for the last quarter.

So, everybody knows and I have said it publicly that the economy is on the move again. So, once the flywheel is beginning to move, when it does, it will carry the rest with it. So, I am fairly optimistic that in the next 6-12 months, you will see a recovery.

Nayantara Rai: Okay, so you think maybe it will take 10-12 months and you believe that maybe there is more pain as you have been debriefed on that. But for urban spaces to take off, like I say it is not only you, we need many more players in the market. The government has a vision of housing for all by 2022, which is not very far away.

Anand Mahindra: I was very heartened to hear from minister Puri today that he actually is optimistic about getting that done.

Nayantara Rai: He always says it is...

Anand Mahindra: Well, he did not sound like somebody who has given a hype. In fact, I questioned him right after his address as he was walking out and I said you have talked about 11 million units being needed and you said I had cut down from 16. I asked him is that realistic that 11 million units are required by 2022. He said in fact the 16 million was inflated. It was hyped up by many people. They have gone over those figures and he believes they have a very good shot at reaching that. We in the Mahindra Group are making a very big bet on affordable housing and on housing finance. So frankly, we are cheering him on and if it is going to happen...

Nayantara Rai: This is good news for you.

Anand Mahindra: Good news for us... well we never feared the lack of demand. Frankly, it is the fastest growing business in the Mahindra Group. Mahindra Rural Housing Finance effectively does affordable housing finance. So, demand has never been our problem. I just hope that we have played a role in making that 11 million target a reality.

Nayantara Rai: Can you explain a little bit more about that? You said it is the fastest growing business. What is your vision as far as this business vertical goes and how is it being placed with your affordable housing vertical?

Anand Mahindra: When we do our strategies sessions for our real estate business, you obviously have to try and decide where are you going to play, which field are you going to be in. Are we going to be in the premium high rises? Are we going to bring in the Armanis and the Trumps into the building? Well, that is very profitable.

Nayantara Rai: High margin...

Anand Mahindra: Yes, exactly and I do not look down on it. Then, you look at whether we are going to be in the commercial space. Where are you going to be? The board of Mahindra Lifespace has made a very conscious decision that we wanted to be in alignment with the Mahindra philosophy of rise. Rise is about driving positive change in your stakeholders at the end of the day. It is about thinking differently, but it is also about driving positive change and we said what suits the Mahindra brand and what suits our philosophy and our core purpose is about helping people rise and then of course we are a profit-making fund. We have to return money to shareholders and what we find is that the biggest opportunity or the next decade is this confluence if I may use the word of doing good and doing well at the same time and the perfect business for that is affordable housing.

If you do it correctly, you can get a very high ROI, but at the same time, you would have helped people rise, which is what our vision is and that is why in all our real estate portfolio, affordable housing is going to be our biggest priority.

Nayantara Rai: But is that also a problem that how do you define affordable, the RBI has one definition, the government has another definition?

Anand Mahindra: Forget the RBI and the government, you go to different metros, it is different. So what is affordable in Mumbai will be different in another city because of land prices. You have to play, you have to go with the flow. You go into a certain tier II town and you will have different definition and a different affordability. So, I think for example if you really want to get down to the level of 5 to 10 lakh housing, you cannot do it in a city like Mumbai without a public-private partnership, without the government giving you the pocket of land, but you can certainly provide that kind of pricing if you go to a tier III city. So, the question is you will have to adapt your strategy differently depending on which geography you are targeting.

Nayantara Rai: And is land acquisition not a problem? For example, when the Modi government came to power, we all heard about the land acquisition bill and you have to also have affordable housing on the outskirts of Mumbai or in the national capital region. Bengaluru is getting more expensive, how do you tackle that problem?

Anand Mahindra: Well, you heard the minister. I was very heartened once again where he said the government is actively examining under the new policy of trying to find ways of giving land banks. He said so much. He said anyone who knows anything about this is aware that acquiring land is the biggest problem in going for affordable housing. So, it looks like they were cooking up something which will make it easier for public-private partnerships and developers to get access to the land at the right price in order to build affordable housing.