

# Mr. Haribhakti's interview on Budget 2010 on



## Airing on:

12th February 2010 - FRI 10:30PM IST

14th February 2010 - SUN 11PM IST

17th February 2010 - WED 5:30PM IST

**Link to view it online:** [thefirm.moneycontrol.com](http://thefirm.moneycontrol.com)

Shailesh Haribhakti, Chairman of BDO India, in an interview with CNBC-TV18, said he was most certain that taking measures to combat the alarming fiscal deficit figure would be high on the Finance Minister's agenda. He said he expected this to be done via subsidy reduction and conversion of debt.

***Here's a verbatim transcript of the interview on CNBC-TV18.***

***Q: What are you betting your money on?***

A: I am betting my money on an attack on the fiscal deficit which has run up fairly significantly. We are talking about close to Rs 3.5 lakh crore fiscal deficit, which is an unprecedented quantum given the fact that our gross domestic product (GDP) has grown so much. So I believe that two things will certainly happen in this budget; one is that the subsidy regime will be looked at very pointedly and carefully, all the signals are there.

We have a report which talks very aggressively about going to the market mechanism as oppose to trying to subsidise the price of petrol and diesel, the Kirit Parikh Committee report. I think ground is prepared to target subsidies because that is the best and the biggest and most effective lever and the second idea is coming from recommendations that Mr. Kelkar recently met about public sector disinvestment. I believe that they will go for a model this time; it will be announced very specifically in the budget which says that the 10%, which they want to shed without disturbing the real character of the public sector undertaking (PSU) will be like an on tap retail access at a discount so that's one.

The second idea which has been suggested and I believe it might get acceptance is to permit the conversion of debt, which is being held by organisations like insurance companies and banks into PSU equity.

So if you have a state government debt, which you are holding if you permit the conversion of that into PSU equity, the qualified institutional buyer (QIB) portion of the disinvestment of the disinvestment of 10% can be handled through a conversion. What that does is it has the twin effect of reducing the national debt, which is today at a percentage of GDP getting to situation where it is becoming alarming so therefore if you can bring that down and at the same time you get the disinvestment then you have a huge reduction in interest cost and your sacrifice in dividend is not that significant.

***Q: I like the last point that you made because it is probably the first time many of us have heard this. Where are you picking this up from?***

A: We had written a white paper on suggesting this some years ago from the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and it was recommended to the government about five-six years ago and I am seeing that being picked up in very recent press articles. So I am seeing that there is a thought process which is moving towards finding ways to effectively do this disinvestment of 10%.