

## Other Hotline

May 16, 2014

### INDIA ELECTION 2014: BJP'S LANDSLIDE WIN – WHAT TO EXPECT?

- BJP gets thumping majority
- Public Markets and Private Equity to get boost
- Predictable tax environment
- Focus on governance and transparency
- Boost to sectors as infrastructure, manufacturing, etc.

India concluded its general elections on May 12, 2014 and the results that were announced today will be registered in history as one of the most spectacular performances by any party in the past three decades. Bhartiya Janta Party ('BJP') led by its Prime Ministerial candidate Mr. Narendra Modi has single handedly won the requisite majority to form the government. It is after a very long time that the people of India chose a single party giving it enough stability to last for the next five years and ability to take decisive actions.

It is expected that the incoming government will take up significant measures in the coming months. Few of the financial reforms might be announced in last week of June as part of the first budget of the incoming government. In this Hotline, we set out what may transpire in the next few months.

**1. Public Markets and Private Equity:** Indian stock markets gave a salute to the new government with the Sensex zooming by more than 1000 points. The bull-run is expected to continue and experts such as CLSA claim that Sensex will touch around 40,000<sup>1</sup> within 12 – 24 month. Resilient public markets are likely to encourage a flurry of public offerings, PIPE deals and gleaming private equity investors who might now find their most optimum exits. Successful exits are likely to attract further investments and fund raising for India focused funds.

**2. Tax Certainty:** Characterizing the taxation policy of the outgoing government as '*Tax Terrorism*' and '*Uncertain*', which created a negative outlook about Indian economy and investment climate, the BJP manifesto promises tax certainty, non-adversarial and conducive tax environment, adoption of GST by state governments and rationalization and simplification of the tax regime. To that extent, substantial tax amendments may be expected to make the tax environment simplified and more predictable.

**3. Foreign Investments:** Mr. Modi has been known to conduct successful 'Vibrant Gujarat' investor summits, which has been well received by both national and international investors and business houses. He is also seen as an advocate of foreign investments and the BJP manifesto (see [http://www.bjp.org/images/pdf\\_2014/full\\_manifesto\\_english\\_07.04.2014.pdf](http://www.bjp.org/images/pdf_2014/full_manifesto_english_07.04.2014.pdf)) supports this. To that extent, foreign investment is likely to accentuate in time to come.

**4. Corruption and Governance:** The BJP campaign focused on slogans such as "more governance, less government" and "government has no business to be in business" and its manifesto promises to eliminate corruption through public awareness, technology enabled e-governance, a simplified and rationalized tax regime and simplification of the processes at all levels. To that extent, initiatives like single window clearances for both centre and state levels through a Hub-spoke model may be expected. Timelines for approvals can be expected to reduce substantially and approval process may also be substantially rationalized.

**5. Infrastructure:** The BJP manifesto seeks to focus on manufacturing, healthcare, energy, infrastructure etc. and seeks to expedite the development of the freight corridors and the industrial corridors, border and coastal highways and encourage public-private partnerships. The manifesto also sets to establish certain 'next generation' infrastructure such as gas grids, nationwide optical fibre network to enable wi-fi zones, modernized railways (bullet trains) etc. To that extent, sops, incentives and optimum models for private sector participation may be expected, which may attract foreign investments in the currently languishing infrastructure sector.

### CONCLUSION

The biggest challenge that India faces today is to restore the lost credibility of, and the trust in the Union Government. Certainty in Indian taxation and regulatory regime are the need of the hour. With such decisive majority, the BJP should be able to take tough and pragmatic decisions, which may be necessary in the current scheme of things to restore such lost investor confidence. However, it remains to be seen to what extent the BJP is able to deliver since 'promises are promises, commitments are commitments, but only performance is a reality'.

– Dipanshu Singhal, Ruchir Sinha & Nishchal Joshipura  
You can direct your queries or comments to the authors

## Research Papers

### Handbook on New Labour Codes

April 29, 2024

### Compendium of Research Papers

April 11, 2024

### Third-Party Funding for Dispute Resolution in India

April 02, 2024

## Research Articles

### Private Client Insights - Sustainable Success: How Family Constitutions can Shape Corporate Governance, Business Succession and Familial Legacy

January 25, 2024

### Private Equity and M&A in India: What to Expect in 2024?

January 23, 2024

### Emerging Legal Issues with use of Generative AI

October 27, 2023

## Audio

### Third-Party Funding: India & the World

April 27, 2024

### IBC allows automatic release of ED attachments: Bombay HC reaffirms

April 15, 2024

### The Midnight Clause

February 29, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

### Q&A 2024 Protocol to the Mauritius India Tax Treaty

April 22, 2024

### Boost to India's Space Potential: India Liberalizes Foreign Direct

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.