**Collapse of Corporate India**

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As Indian economy sees the signs of recession; a detailed research was conducted by to examine data within Indian and international media which could help understand the state of Indian economy, especially its corporate sector.

A report by Belgium based International watch dog, CADTM (Committee for Abolition of Illegitimate Debt) in Jun 2019, the corporate debt in India is spiraling up and it might not be long when it reaches alarming levels. Metal, power, and telecommunications account for 40% of the unserviceable debt.

Early signs of collapse of corporate sector appeared in 2017-18 affecting aviation and private banking sector. Jet Airways (one of India’s top three airlines) had the largest market share in Indian aviation industry. Abu Dhabi’s Etihad Airways owned 24 % shares of Jet Airways and had to struggle to sell it back to Indian State Bank last year when Jet Airways collapsed. Jet Airways had a net debt of 72.99 billion Indian Rs ($1.2 billion) and defaulted on loans that were due by December 31, 2018 and has been unable to pay to staff and lessors.

In 2012, Kingfisher Airlines, founded by beer tycoon Vijay Mallya, ended operations after failing to clear its dues to banks, staff, lessors and airports. The stories of Kingfisher and Jet are symptomatic of what is happening to corporations that were perceived to fly India in the new century of prosperity.

Next comes the banking sector, the crises here is totally manufactured, where banks were forced by the political government in collaboration with the corporate tycoons to lend huge amounts in so called politically motivated development projects. This created a humongous pile of Non-Performing Assets (NPA) of more than 150 billion dollars (till end 2018) which could easily cross 200 billion dollars by mid 2020. Some commentators feel that the “NPA black hole” could “suck in the country’s entire banking system.”

Outlook India in its 21 Aug 2019 piece shared the same feelings, “debt looms, as a terrifying spectre, zombie companies or corporate underachievers have doubled and even the biggest of business empires like Reliance Industries are worried and hassled”.

Sushovan Dhar while writing in CADMT, 30 Jun 2019 article explains the reasons for this fiasco. The troika of politicians, bureaucrats and the capitalists form a vicious nexus that controls these banks. Indian banks have written-off a whopping ,56,702 crore Rs (7.8 Billion$) of NPAs during the nine-month ended Dec 2018, taking the total loan write-off to over 7,00,000 crore Rs (100 billion$) in the last 10 years, according to figures revealed by the RBI. Four-fifth of the total amount written off in the last 10 years, have accrued during Modi’s time. This grotesque magnanimity to the corporates is being attempted to be compensated by recapitalization of banks through public funding, which means that the ordinary Indian people would be bailing out the banks that are still being plundered by the corporates.

Corporate India has some big names and brands like Tatas, Birlas, Ambanies and Mittals; the bubble of these seems to be bursting. India today story of 15 March 2019 should have rung the alarm bells in International Business Community. The story with the title, Anil Ambani: The Fall of a Billionaire, from being one of India’s star businessmen to a defaulter facing a jail term, talked of the Indian tycoons and their collaboration with BJP. Anil Ambani’s business debacle is a textbook case of unbridled ambition and risky business ventures gone wrong. Last year Anil had to face the ignominy of being threatened with a jail term by the Supreme Court over the Rs 550 crore he owed RCom’s one-time vendor Ericsson for the managed services the Swedish firm provided its telecom business.

Another reason being discussed in Indian and international media is the Irrational Exuberance and State of Mania by the Modi government has helped corporate India bluff the common Indian. Shushovan Dhar decries that Tata Steel’s $13.1 billion purchase of Corus in 2007 remained the poster child for this profligate era. Investor enthusiasm drove asset prices up to levels that aren’t supported by fundamentals. Needless to say, this purchase, like many others 10 years ago, has turned out to be an unmitigated disaster.

Mukesh Ambani’s Reliance debt has risen to Rs 2.92 lakh crore. Second quarter results had shown that the company’s debt surged by Rs 4,477 crore to Rs 291,982 crore on the back of capital expenditure of more than Rs 19,095 crore. The oil-to-telecom conglomerate had an outstanding debt of Rs 287,505 crore as on March 31, 2019; that is 40.4 billion dollars and it is increasing at a very fast pace, could become 45 billion dollars by Jun 2020.

The plight of Tatas: A BBC report of 5 Jan 2020 points to a dismal picture of Steel Industry as well. The chairman of the Tata group has said the company “can’t have a situation where India keeps funding losses” at its Port Talbot steelworks in UK. Tata Steel’s pre-tax losses were £371m last year, up from £222m in 2017-18. In November, Tata announced plans to cut 3,000 jobs across Europe. In June, a planned merger between Tata and German steelmaker Thyssenkrupp was blocked by the European Commission over competition concerns.

The sad saga of Auto Industry is no different, as reported by BBC on 11 Sep 2019,India’s second-biggest manufacturer of vehicles, Ashok Leyland, is suspending production at several units, industry heavyweights such as Maruti, Tata Motors and Mahindra & Mahindra have all announced production cuts over the past several months. As the automotive industry declined, car sales dropped by 41% - the steepest fall in two decades.

Arabian Business Magazine on 27th Jan reported that India has set in motion the privatization process of Air India and asked for potential investors to acquire a 100 percent stake in the debt-ridden airline. The buyer of Air India will inherit about $3.26 billion of debt out of the total over $8.4 billion debt of the airline.

Agriculture Sector is also down: Davinder Sharma in his report in ‘Down to earth Magazine’ states a sorry picture. Farmers throwing tomatoes, potatoes and onions on the streets is a recurring phenomenon. Add to it the denial of rightful price for most agricultural commodities. As reported by India Today on 21st Jun 2019, more than 12,000 farmers committed suicide in Maharashtra between 2015 and 2018. The National average of reported cases is 16000 suicides every year, which means about 40 farmers a day.

Telecom Sector appears to be the tip of the iceberg: Business Today on 17 Jan highlights the state of telecom sector, the Supreme Court quashed the review petition filed by Vodafone Idea and Bharti Airtel (incumbents) on the AGR (adjusted gross revenues) dues. The apex court’s October judgment has affected 15 telcos. Out of these five, nearly 60 per cent (of Rs 1.47 lakh crore) is due on incumbents. Telcos like Vodafone Idea who neither have cash to pay up dues (Rs 53,038.6 crore) nor the backing of promoters - Aditya Birla Group and Vodafone Plc - to infuse fresh capital face a sudden collapse. Reliance Telecom arm with the name of Reliance Jio has liabilities worth 2.1 trillion Rs(14 Billion $)

The collapse of Corporate India could have serious repercussions: The FDI by global investors like Saudi Aramco may have to rethink their strategy of pouring in capital in a hollow basket of Corporate India. Good thing is that Saudi Aramco has already shown some apprehensions on their promised investment in Ambani’s Reliance energy. On 23 Dec 2019, Arabian Business Magazine had already pointed out that Gulf countries were very cautious. Earlier in August last year, Reliance chairman Mukesh Ambani announced the company’s plan to sell a 20 percent stake in its refining and petrochemicals business to Saudi Aramco for $15bn.

As per LiveMint report of 7 Dec 2019; former Reserve Bank of India (RBI) governor Raghuram Rajan said India is in the midst of a “growth recession” with signs of deep malaise in the Indian economy that is being run through extreme centralization of power in Prime Minister’s Office and powerless ministers.

To summarize whole paper, the Collapse of Private Banks, Aviation sector and Finance corporations in 2018-19 eroded confidence of investors. Big names like Ambanies, Tatas, Mittals and Mallyas may have looted India through connivance with BJP government and their empires are collapsing, total debt held by these families is almost 200 billion dollars. Air India with a debt of 14 billion dollars is for sale, with no buyers. Five sectors, finance, telecomm, steel, aviation and energy were considered pillars of corporate India; these have become liabilities.

The International business community must realize that Indian economy is in deep recession and FDI will remain very risky. Gulf countries, especially KSA and UAE may have to weigh their options and analyze if India was a bad idea to invest and spiraling trends in Telecom and Financial sector would negatively impact Saudi investment in Reliance Conglomerate.

These trends could accentuate Indian domestic chaos when common Indians learn that Modi has not only imposed his Hindutva agenda but also played havoc with Indian economy.