Balance Sheet of a Decade!

Revdis for Corporates

Report Card 2014-24

The essence of democracy requires that we hold governments to account vis-a-vis their claims and promises. But one of the biggest casualties of the recent years has been the idea of accountability. The divisive and jingoist hyperboles in the media facilitate a collective amnesia. This report card (though not conclusive) is part of a series, by the Financial Accountability Network India, that attempts to glance through and highlight a few of the claims and reality of the government's performance across various sectors from a financial and economic lens.

Financial Accountability Network India - FAN India

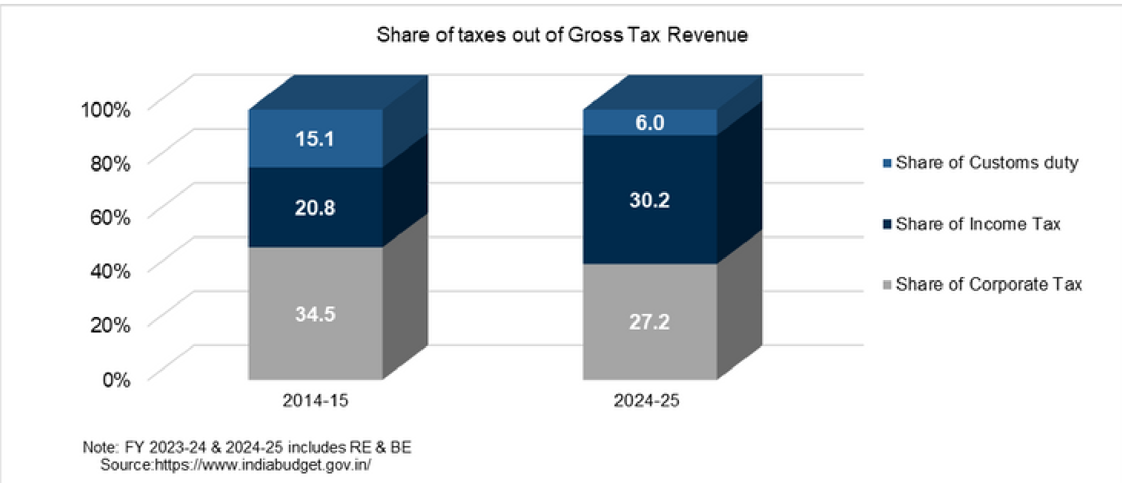
CLAIMS

Incentives or “revdis” like the **tax breaks** for corporates will spur economic growth and foster investment, aligning with the government's objectives.

In 2018, Modi boasted that his government had not granted even a single **loan** to parties who later defaulted on repayments. He added that all loans that had been lent would be recovered.

The introduction of the **PLI scheme** aimed to bolster corporate profits by offering subsidies, with the ultimate goal of boosting tax revenues. Amitabh Kant argued in favour of supporting a few “champions” to become really big instead of supporting small players. He said these “champions” will in turn lift the MSMEs.

The government has justified its attempts at **disinvestments** saying that it aims at "making use of disinvestment proceeds to finance various social sector and developmental programmes". Monetisation, said the government, was not a sale, but only a "lease" to a private owner and did not amount to change of hands. The proceeds it said will finance both COVID related expenses and infrastucture needs.



REALITY

Tax Cuts:
Revdis for Corporates

1 **The government implemented a reduction in corporate tax rates in 2019, lowering them from 30% to 22%.** Furthermore, newly-formed domestic companies benefited from an even lower rate of 15%. In the first two years following the tax cut, the country suffered a significant revenue loss of **Rs 1.84 lakh crore**. This amount was **higher than both the MGNREGA and NFSA budgets combined in 2020-21.** This did not lead to increased tax revenues or substantial economic growth.

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2 In 2019-20, there was a **16% decline** in total corporate tax collections, decreasing from Rs. 6.63 lakh crore to Rs. 5.57 lakh crore.

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3 In FY21, corporate tax collections actually decreased from ₹5,56,876 crore in FY20 to ₹4,57,719 crore. This drop occurred even though both listed and unlisted companies recorded substantial net **profits**.

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4 Under Modi, the **tax burden has shifted from corporates to common people**. Personal income tax collections increased by **117%** while corporate tax collections increased only by **28%** in the 10 years they have been in power.

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5 Recent estimates of the Budget show that the share of Corporate tax in Gross tax revenue has **decreased** from 34.5% in 2014-15 to 27.2 % in 2024-25, on the other hand, the share of Income tax has increased from 20.8% to 30.2%.

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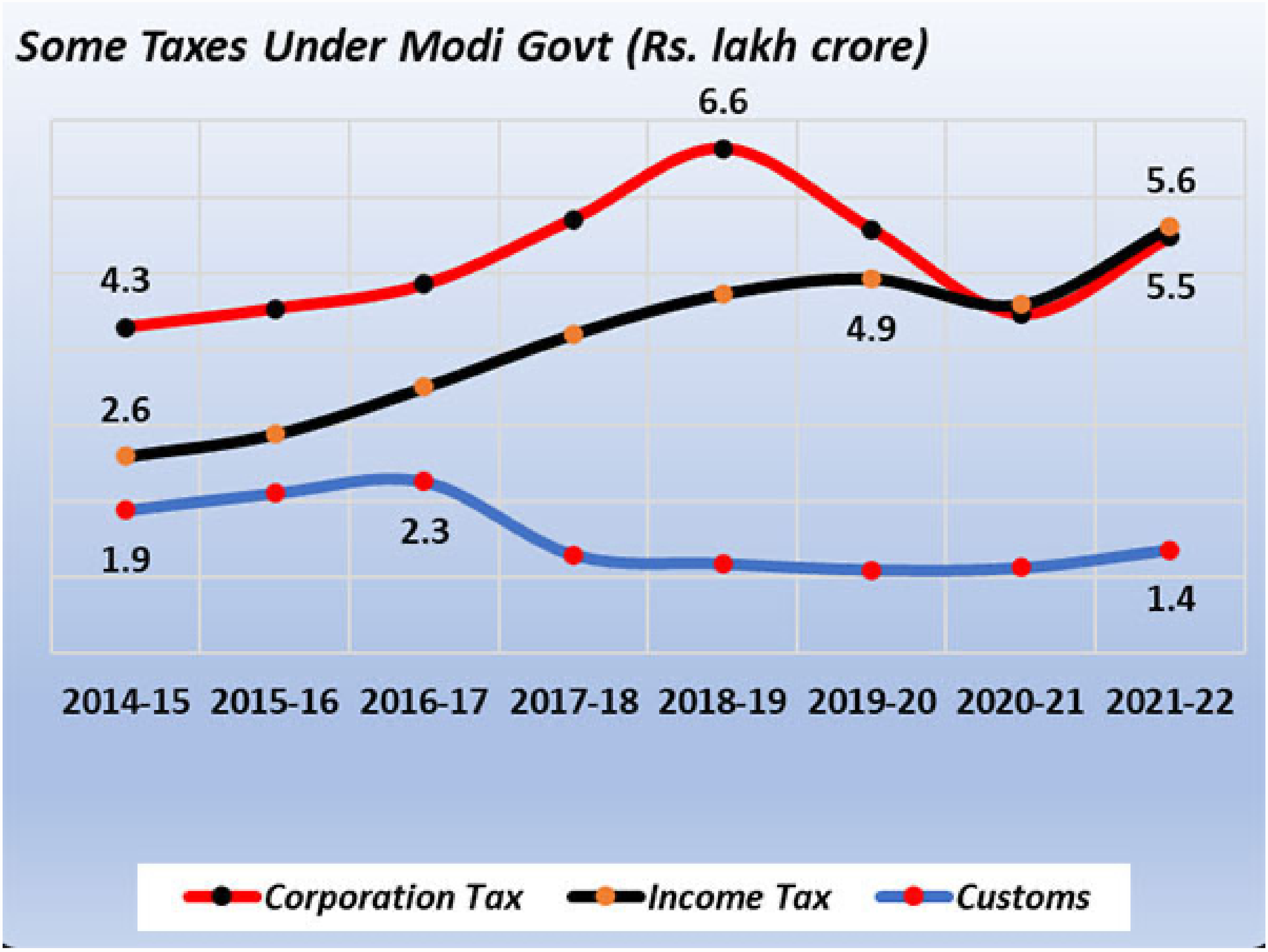
6 Effective tax rates for corporates are even **<u>lower</u> than 22%**. Reliance Industries paid onyl an effective tax rate of 16.5% in 2021-22. Similarly, UltraTech Cement paid only 14.8%.



Loan Write-Off:
Freebies from the Banks

1 **Banks have written off a cumulative of 14.56 lakhs cr during the BJP-led NDA govt from 2014-2023**, where write-off values saw an upsurge of about more than 3 times since Modi came to power. The write-off figure is 2.5 times higher than the total spending of the Uttar Pradesh government in 2023-24.

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2 Banks have recovered only 2,04,668 crore in written-off loans, including corporate loans, since April 2014 and up to March 2023. **Banks have recovered only 14.07% of written off loans.** According to RBI data, **90% of the loans that were written off by banks are never recovered.**

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3 The number of **Cases of willful defaulters increased to about 1.6 times that in 2014**, with 9,249 cases of accounts defaulting wilfully 25 lakhs and above is 1,96,930 cr as of November 2023.

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4 **The NCLT process which was supposed to help with the recoveries have in fact become another means of handovers to the corporates.** For instance, Electrosteel was sold off after a **60% haircut** and was bought by Vedanta at 40% of its price. Again, Alok Industries got an **83% haircut**. Reliance bought it at 17% of its original value!

Recently, for instance, the NCLT approved a resolution plan in respect of Reliance Communications Infrastructure Limited (RCIL) wholly owned subsidiary of RCom owned by Anil Ambani in which against the claims made from the debtors totalling Rs.49668 Cr, the NCLT settlement was Rs. 455.92 Cr which was 0.92% of the debt!

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5 The trend is apparent in **bank fraud.** They rose from Rs 34,993 crore in the 2005-'14 period to Rs 5.89 lakh crore in the 2015-'23 period. **That is nearly a 17-fold increase.**

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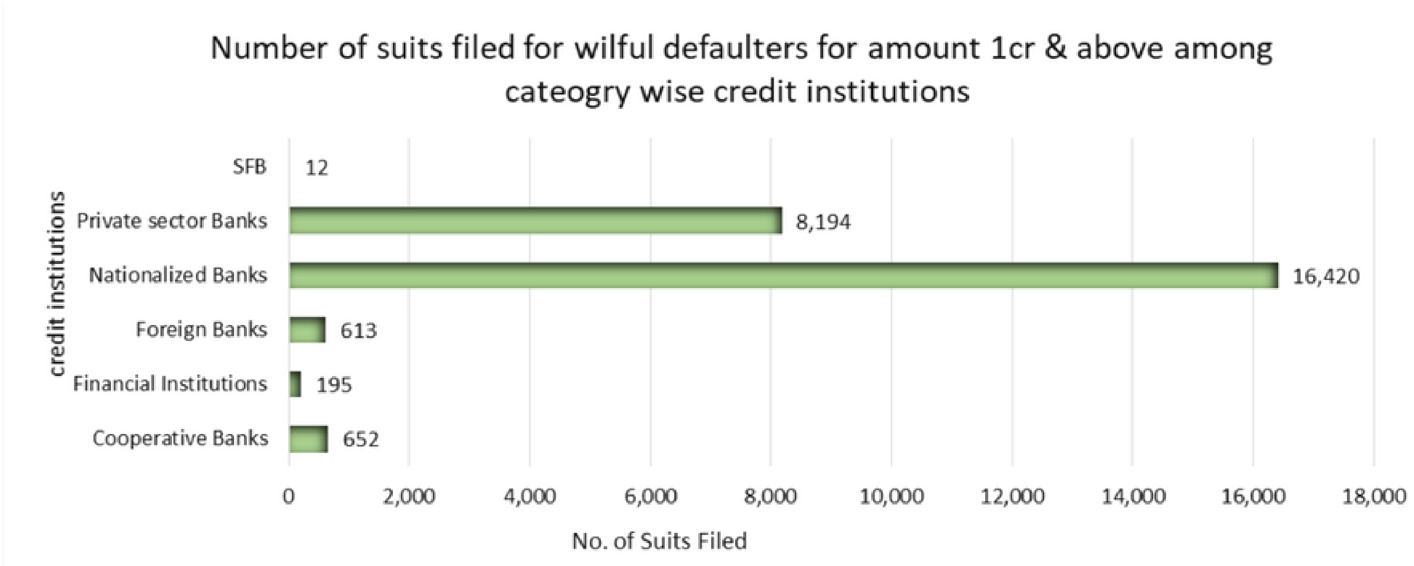
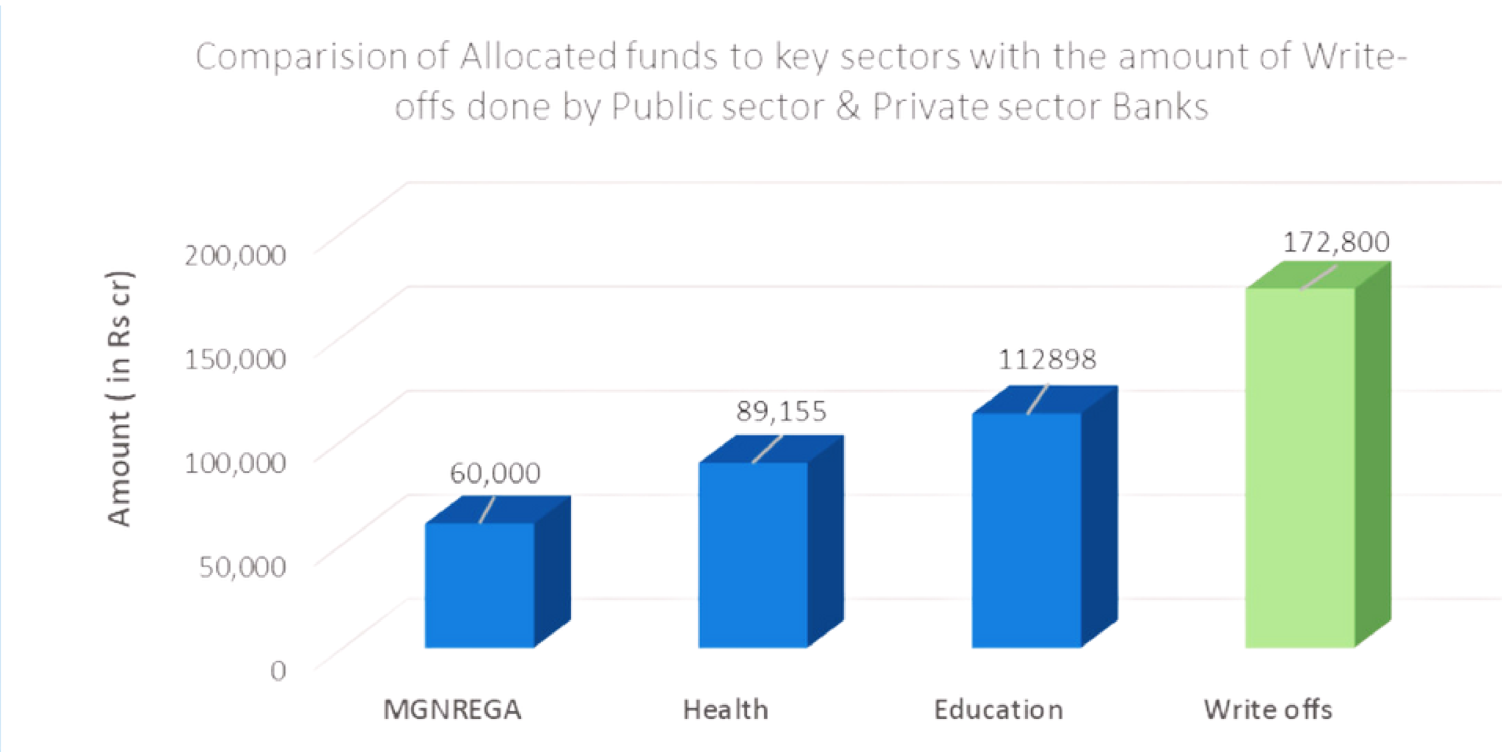
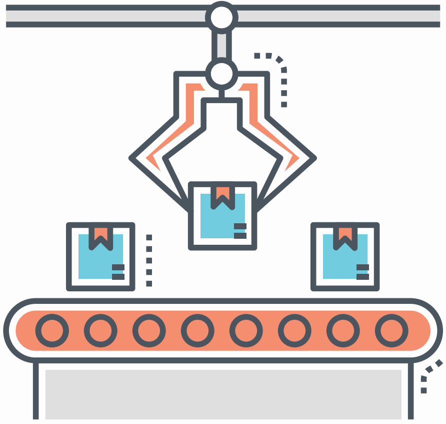
6 The total number of <u>cases</u> filed by March 31, 2023 for parties who have defaulted on loans of Rs 1 crore and above is **26,086**. Their total loan amount is **Rs 6,01,834 crore**. Public sector banks filed 16,420 cases for loans amounting to Rs 4,10,758 crore.



7 The total **write-offs** by banks in 2021-22 was Rs. 1,72,800 crore, which is much <u>higher</u> than the amount allocated to any of the three key social sectors shown below in 2023-'24 .



Production Linked Freebies



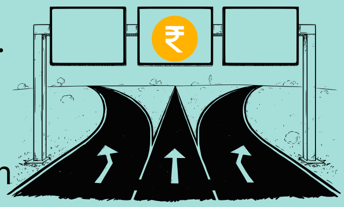
1	**PLI Land Acquisition**: The government has also been awarding PLI (Production-Linked Incentives) freebies to companies.
2	The **Vedanta-Foxconn** semiconductor manufacturing hub in Gujarat is expected to be one of the first beneficiaries of the Indian government's policy, offering a **50% subsidy** on the project cost. Foxconn-Vedanta will corner the entire Rs 76,000 crore subsidy allotted for the semiconductor sector. In essence, the government is giving a **free handout** of Rs 76,000 crore to the corporate and enabling it to become a monopoly.
3	In March 2022, the Centre awarded PLIs of **Rs 18,000 crore to four companies** to make EV batteries, one of which was **Hyundai Global** Motors Company Limited. It was later repealed after the Hyundai automobile brand issued a public statement saying that they had no relation to the company the PLIs were given to.

Handing over Public Assets: Monetisation

Between 2014 and 2022, the government **sold off** public enterprises and its assets to the tune of Rs. 4.86 lakh crore to corporates and private parties.

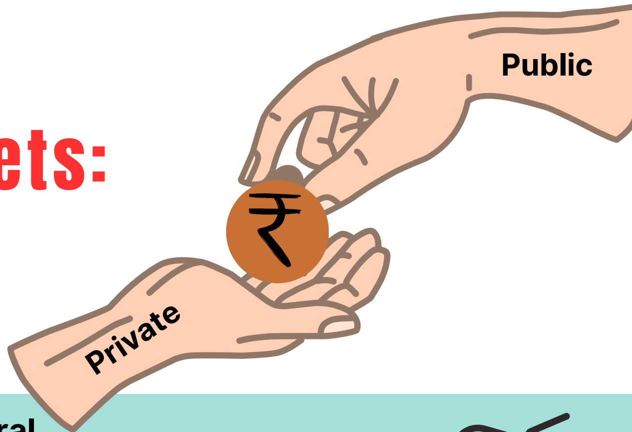
Monetisation is just a hoax: Through the National Monetisation Pipeline, the government is leasing out Rs.6 lakh crore worth of physical assets like **railway lines and stations, telecom systems, power transmission lines, oil and gas pipelines, roads, bridges, ports etc** to private entities. These so-called 'leases' that will run for up to 40 years are in effect, this is an **outright sale disguised as a lease.**

There is the danger of **immense undervaluation** in such monetisation schemes. For instance, the 26,700 km of national highway roads (22% of total NHAI roads) are going to be monetised. The government estimates that it would earn **Rs 1.6 lakh crore** from it. Whereas based on the estimate made by the Ministry of Road Transport and Highways in 2019, the construction cost of 26,700 km of four-lane national highways is more than **Rs 8 lakh crore**.



The establishment of the **National Land Monetization Corporation** (NLMC) in 2022 aimed to sell unused land owned by public entities to generate revenue. However, significant portion of these assets belonged to Central Public Sector Enterprises governed by the 5th Schedule, prohibiting their transfer to private entities.
These monetization efforts were driven by the government's desperate response to a fiscal crisis created by its own policies like GST, demonetization & corporate tax cuts. By 2020, the fiscal deficit surged to 9.4% of GDP, and government debt reached 90% of GDP by 2021.

Handing over Public Assets: Privatisation



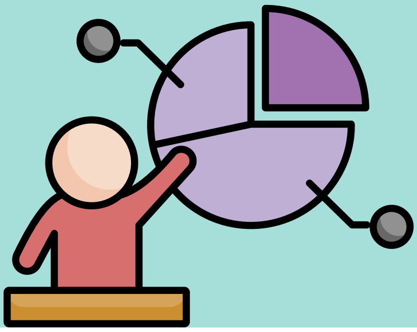
In 2023, the government planned the **sale of Central Electronics Limited** (CEL) and **Pawan Hans Limited** (PHL) at cheap prices. It was forced to cancel them after the employees of the prized PSUs protested against cheap valuations. Further investigation also revealed that the **CEL was being sold to a furniture and furnishing firm run by BJP leaders and the PHL to a defaulting tax haven (Cayman Islands) based finance company.**

Despite repeated appeals made by **Rashtriya Ishpat Nigam Limited** to the Ministry of Mines, the latter has not chosen to allot the company a captive mine, though the same Ministry continues to shower largesse on private companies by allotting them captive mines without any hesitation. Instead, the decision to sell off Rashtriya Ishpat Nigam Ltd's 6.3 MTPA capacity steel plant at Visakhapatnam is a brazen attempt to sell off Navratnas.

The **Life Insurance Corporation** IPO was yet another instance of changing the fundamental character of a government entity to benefit the private players.

- The IPO, it is apprehended, will enhance the role of private investors in deciding the fate and character of LIC.
- Being largely profit-driven, the private investors can change the fundamental objectives of LIC including its outreach in rural areas and among marginalized sections.
- Also, the composition of policyholders may also shift from being smaller policyholders to large depositors.
- While this will take away the competitive edge of LIC, the ones who will benefit are the other private players in the insurance sector who so far are unable to gain any substantial footprint given LIC's looming presence.
- This is unimaginable for those who conceived of LIC as a "social security provider for the disadvantaged people".

The government has justified its attempts at disinvestments saying that it aims at **"making use of disinvestment proceeds to finance various social sector and developmental programmes"**. This makes no sense as there is no difference at all whether the government borrows directly from the banking system to finance its additional expenditure or whether it raises it through the sale of PSEs to the corporate sector. As the corporates after all borrow from the same banking system to finance its acquisition of such PSEs.



The government has approved private exploration agencies to bid for blocks, aiming to boost mineral exploration for resources like lithium, gold, cobalt, and silver. This move is facilitated by **The Mines and Minerals (Development and Regulation) Amendment Act 2023, which allows private agencies to mine critical minerals.** This is alarming as historically profit-driven private loot of resources has come at the cost of community rights and ecology.

The recent **Memorandum of Understanding (MoU) between Indian Council of Agricultural Research and Bayer, a multinational corporation** has raised concerns among farmers about increased **corporate influence in Indian agriculture** and the potential revival of pro-corporate farm laws. While the ICAR has been witnessing budget cuts, such an agreement with a profit-driven MNC allowing it to exploit the Council's unique brand value, its public credibility and its vast infrastructure to pursue its own commercial plans in the country is alarming.

BJP raised the coal scams of the UPA era. The Reporters' Collective finds that the **present government received early warnings from two of its own current union ministers that its own new coal regime was compromised** and "will lead to scams". They cautioned that it would allow private companies to rig auctions and corner huge benefits at a cost to the public. But to no avail.

Revdis through Reforms

1	**The Commerce and Industry Minister boasted of having "eliminated or simplified" over 40,000 different compliances across the country to facilitate ease of doing business.** The number seems to be rising every year. In 2021 the government boasted of eliminating 22,000 compliances. In 2022 the PM claimed to have removed 32,000 compliances. And now 40,000. According to environmentalists and rights activists, however, such an approach has basically meant **dilution of land acquisition or pollution norms, watering down of rules that govern the development of coastal areas or opening up of rich forest areas to mining, labour law revisions and so on.**
2	Under Modi, both houses of parliament approved the **new labour codes** in 2020. Trade unions have said that the codes dilute whatever remains in terms of rights and protections for labour. The **pro-industry and anti-labour code** are yet to be implemented following resistance from worker unions who oppose the easier hiring and firing provisions as well as restrictions on trade unions.

The Modani Factor

- When the Modi govt approved the **privatisation of six airports** in 2018, it **relaxed the rules** to widen the pool of competition, allowing companies without any experience in the sector to bid. The one who overnight became one of India's biggest private airports was Adani. With no history of running airports, **Adani scooped up all six airports.**

- There is an **Adani port/terminal every 500 km of our coastline**. Adani has gone from **10% to 24% of total port traffic** in the past decade, and today controls a huge **57% of cargo volumes** outside of India's government-owned 'major ports'. There are growing concerns at the highest level of government about the strategic implications of this market concentration that is being allowed under Modi.

- The Reporter's Collective found that even after the PMO had ascertained that a particular regulation **handing over coal blocks** to the private sector was 'inappropriate' and lacked transparency, but it made an **exception**. It **allowed Adani** Enterprises Limited to mine from a block holding more than 450 million tonnes of coal in one of India's densest forest patches.

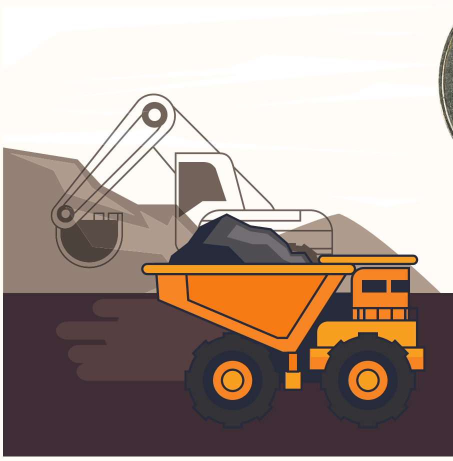
- The explosive **Hindenburg Report** laid out evidence of brazen accounting fraud, stock manipulation and money laundering at Adani making for probably the **"most egregious example of corporate fraud in history"**. The Supreme Court panel said that while it has been a long-standing suspicion of **SEBI** that some of the public shareholders are not truly public shareholders and could be fronts for the promoters of these companies, it had failed to determine the ultimate ownership of these entities because in 2018 the provision for such disclosure was **done away with** by SEBI itself.

Favours for Friends?

Coal blocks in Pelma and Gare Pelma (Chattisgarh): owned by Adani is have detrimental livelihood and ecological impact

Parsa East Kete Basan Coal Mine in Hasdeo Arand forest (Chattisgarh): In a pristine forest in central India, the multibillion-dollar mining giant Adani has razed trees – and homes – to dig more coal

Coal blocks in Dhirauli, Gondbahera Ujheni East, Gondbahera Ujheni in MP: the Adani Group won ownership of the Gondbahera Ujheni East coal block, despite there being no other bidders in this so-called ‘auction’. Huge swathes of pristine forest lands have been cleared or are due to be cleared.



Adani Pench Power Limited, a subsidiary of Adani Power Limited, is setting up a 1,320megawatt supercritical thermal power plant in Chhindwara district. The construction of the plant will affect 31 villages and submerge over 5,607 hectares of land, including the full submergence of six villages.

Mundra Port and Special Economic Zone (Gujarat): MPSEZ by Adani has been under fire since then for violation of environmental regulations. The SEZ has reportedly violated the Coastal Regulation Zone Notification of 1991 and the Forest (Conservation) Act, of 1980. The environmental costs incurred by this SEZ are deforestation of mangrove forests and other trees, loss of migratory birds and deterioration of creeks and scrubs. The farmers of Dhrub village have lost their agricultural lands due to the SEZ operations.

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