

ONE YEAR OF MODI GOVERNMENT: A LOOK AT WHAT DOES INDIA INC THINK

NEW DELHI: Speaking at a meeting of Bharatiya Janata Party's lawmakers on April 19, a day before the Lok Sabha reconvened, Prime Minister Narendra Modi made a seemingly innocuous reference to Mukesh Ambani, chairman of Reliance Industries, India's largest private company by revenues. Seeking to burnish his pro-poor credentials, Modi spoke on affordable housing and the controversial land Bill, stating that land acquired by the government will be used for projects benefitting the poor.

"Who is going to live in them? Are industrialists going to stay there... Will Mukesh Ambani live there?" said the PM, referring to affordable housing, one of the government's social sector priorities.

Despite its seemingly anodyne nature, eyebrows were raised as this was Modi's second reference to Ambani within a span of 10 days. Earlier, in an interview to Hindustan Times, Modi had said red tape should not only be removed for Mukesh Ambani but also for the common man.

Modi's prolonged quest for prime ministership, by most accounts, had the enthusiastic backing of the grandees of India's business, fed up as they were by the policy paralysis that blighted the second term of the United Progressive Alliance (UPA).



But 11 months into his tenure, Modi seems to be redefining his relationship with big business in appearance and substance and sometimes in surprising ways.

ET spoke to more than 20 people, including the promoters of some of India's biggest companies, politicians, party leaders and bureaucrats to understand whether and how the prime minister is changing the rules of engagement.

There was virtual unanimity that corruption at the top had declined dramatically, a welcome change from earlier. But the reviews were mixed, with most saying this administration's engagement with business was very different from those before.

Most declined to speak on the record given the sensitivity of the matter.

In the 2014 general election campaign and recently, Congress Vice-President Rahul Gandhi has portrayed Modi as a friend of big corporates, accusing him of crony capitalism. But big business says access to the upper echelons of government has declined in dramatic fashion.

One of India's bulge-bracket investors said that from being Rs 1,400 crore in debt, he's now Rs 50 crore in the cash. "I've shorted the market. I'm bearish in the short term but haven't touched my long-term investments," he added.

So what's the reason for the subdued sentiment, just a year after the thumping win?

Modi government has cracked down on corruption in high places but many top leaders of India Inc feel a sense of drift. Little access to top ministers and over-centralisation at the PMO could be the reasons.

Access Control

At an industry meeting in Mumbai last week, bankers expressed reluctance about funding new projects. "Nobody wants to take on more exposure. They want the existing projects to give a certain return on investment. And the government is not willing to help," said a top Mumbai-based industrialist present at the meeting.

"This government is cautious that it shouldn't be seen as favouring certain corporate houses. So it is looking at overall policy decisions that may or may not benefit individual companies. But there are issues with individual projects which no one wants to iron out. Those have to be addressed but no one seems to be interested in doing that," said another promoter.

As Gujarat chief minister, Modi was said to be more proactive. There would be follow-up calls from bureaucrats and decision making was quick. When the Tata group was scouting for a new site for its Nano plant, Modi sent an SMS to Ratan Tata.

"He later spoke about how his one 'Welcome to Gujarat' message clinched the deal since five other states were also in contention," said the businessman cited above. "The government's culture then matched the corporate culture, which is why there was so much investment in Gujarat. As PM, he has become more reactive."

Another corporate chief echoed this: "We met him more when he was the Gujarat CM."

A prominent Delhi-based industrialist who sought time with the PM was taken aback when he was politely asked why he wanted to meet. "That had never been a problem in the previous regime," the person said.

BJP president Amit Shah, widely seen as the second most powerful person in the country, is also believed to have refused most requests for appointments by industrialists. "He is clear that is not his job. He is concentrating on building the party and does not wish to get into sorting out the problems of companies or socialising with them. He invited them for his son's wedding but that was all," said a person close to Shah.

"So who do we go to get our legitimate issues resolved?" said the Mumbai-based promoter.

A BJP member who played a key role in strategy during the 2014 elections said, "There are Rs 6-7 lakh crore of stressed assets. That's the biggest problem for industrialists and government is not doing anything to address them. The government is only looking at future projects such as bullet trains."

Sensitive to Criticism

Late last year, participants at a Confederation of Indian Industry meeting complained that they had expected the government to do more. The details of the meeting had been reported in ET, drawing a frosty response from the government. "The PMO was furious and a strong message was sent to CII not to organise such forums," said a bureaucrat.

"There is a sense of fear among corporates and people are wary of speaking up or giving suggestions," said one of the industrialists cited earlier.

A Mumbai-based businessman said at least two Delhi-based promoters have told him that they are always guarded in phone conversations. "It's a democracy but you can't speak," said this person. "The government tends to take criticism personally."

When the elder statesman of Indian finance, Deepak Parekh, said in a recent interview that there was no real change in the ease of doing business in India and that a "little bit of impatience was creeping in", it didn't go down too well either.

Parekh is known to speak his mind and had been similarly critical during the UPA regime. But now the reaction was much sharper, with demands that senior officials of the HDFC

Group give "positive" interviews, according to people aware of the matter.

The incident seems indicative of how sensitive the government is to any sort of criticism.



"Nobody wants to speak up. Even top industrialists have no access to Modi. They've also been asked not to peak against the government at any forum," said the Delhi-based industrialist cited earlier.

Industrialist Naveen Jindal, who took the government to court for denying him a coal block despite being the highest bidder in the recent auctions, recently ran into the PM at a function. When Jindal walked up to the PM to greet him, Modi is said to have referred to the court case, said a person privy to the interaction. Jindal sought time from the PM, which was not granted, at least thus far.

The Central Bureau of Investigation (CBI) recently charge-sheeted Jindal in the coal allocation scam.

The raids at the petroleum ministry and the arrest of employees of private sector companies in the so-called "corporate espionage" case have also sparked alarm in India Inc.

"If the systems were faulty, they should have been fixed but to indulge in fear mongering and call it corporate espionage was a little over the top," said a businessman.

The fear of being seen to be procorporate has resulted in most ministers shunning the company of industrialists. A party to celebrate the appointment of a key minister, shortly after the government assumed office, had some prominent industrialists in attendance. "This did not go down too well with the PM," said a party functionary.

The image makeover

During last year's poll campaign, Rahul Gandhi and Delhi chief minister Arvind Kejriwal had accused Modi of having cosy ties with corporate India, notably Gautam Adani and Ambani. That didn't stop Modi leading the BJP to an overwhelming mandate, with the Congress reduced to 44 seats, its lowest ever.

"But the allegation stuck in Modi's mind. He is a careful man who has worked very hard to reach where he is. He wouldn't want to risk his image," said a BJP functionary.

"We fund many parties but with Narendrabhai we can't expect a quid pro quo. No one can tell him that just because I gave money to the party for the elections you do this for me. He doesn't encourage that," said a Mumbai-based industrialist.

A popular story doing the rounds is how a top industrialist was curtly told by Modi not to meddle in governance. The industrialist was complaining about a few bureaucrats who he felt were "not working properly and should be changed." "Aap apni company chalaiye aur mujhe apni sarkar," was what Modi is said to have told him.

A bureaucrat said stern messages have been sent to some industrialists on the PM's behalf saying he doesn't appreciate interference in running his administration. Earlier, appointments for the post of bank chairman entailed hectic lobbying.

"That has almost come to an end now because the PM is strictly against it and has made it clear on more than one occasion," said the bureaucrat quoted earlier.

It's a change that many welcome. "Modi is bringing about a fundamental change in the paradigm of doing business in India. If he succeeds, connections will not matter. Industrialists will have to focus on their competence rather than manage connections," said the head of a foreign bank.

He mentioned the move to let a new banking bureau appoint head of public sector banks as a big deal. "It is not something which was conceivable even recently," he said.

The investor cited earlier said the country is going through a "governance transition", which industrialists are finding difficult to deal with. "Most big industrial groups are used to fixing things, which is not happening in this government."



The impact of Rahul

Some industry leaders fear that Modi could go the Rahul Gandhi way and end up demonising industry.

The land bill that has been mired in controversy could be put in cold storage because of opposition pressure, said a political leader.

"Modi just doesn't want to risk giving ammunition to the opposition before the Bihar elections. If that happens, it could completely disenchant corporate India," said this person. A Mumbai-based promoter said: "It is all very well to be pro-poor. No one has a problem with that. But that can't be at the cost of industry. How will you get 7-8% growth if there are no new investments?"

Modi's attempt at an image makeover is linked to elections in crucial states such as Bihar later this year, said a BJP functionary. "You can either be pro-corporate or pro-poor. In

rural India, the message that has gone is that this is a pro-corporate government. That might not be true but that is the perception," said this person.

Rahul Gandhi's latest jibe describing the Modi government being "suit-boot ki sarkar" has put the government further on the back foot. Corporate India, said a Mumbai based promoter, is now wary of investing in India as a result.

The Congress party's Digvijay Singh said the decisions taken by the Modi government in the last 11 months show that it's a pro-rich government. "Look at all the ordinances passed so far. They are all pro-rich. From the land ordinance to not increasing the minimum support price and reducing fertiliser imports--all this has crippled rural India," said Singh.

National BJP spokesperson Shrikant Sharma countered. "This is not a 'suit-boot sarkar' but a 'soojhbhoj ki sarkar'. Rahul Gandhi's allegations don't stick because they are far removed from reality. Our government has already announced transformational schemes for the poor. Such allegations were made during the Lok Sabha elections as well but they were rejected by the public," he said.

Reduction in corruption

The general consensus in Indian industry is that corruption at the highest level, perceived as being widely rampant in UPA2, has seen a dramatic decline. "The introduction of e-auction of coal and telecom has done wonders for transparency," said one of the Mumbai-based businessmen cited above.

All industry executives ET spoke to for this story were unanimous that large-scale corruption was almost nonexistent. "Weeding our corruption from the highest levels of the government was much needed and he's been able to do it. In the short term, this may have led to decisions not being taken on various projects," said the Delhi-based industrialist

From PM Modi downwards ministers have cited the auction of spectrum and coal mines as a transformational instance of good governance.

Digvijay Singh however dismissed claims of reduced corruption, saying official-level corruption has increased. "If earlier you had the Jayanthi (Natarajan) tax then now you have the Piyush tax," he said, referring to coal minister Piyush Goyal.

Goyal rejected Singh's allegation as "desperate". It "demonstrates the hollowness of the

Congress," he said.

"The most transparent and honest allocation process of coal mines, through the e-auction route, is something the Congress would have a problem with," he said. "I wouldn't like to take names but allocations earlier happened through prominent Lutyen's Delhi addresses--a number similar to that of 10 Downing Street--when allocations happened through chits sent from there."

He went on: "In a way that (the auction) was the 'Piyush tax' that was levied on corporate India, unlike what happened during the Congress regime." Goyal was referring to the commitment by companies to pay Rs 2 lakh cr over a 30-year period.

A mighty PMO?

Though "big" corruption has declined, to quote one of the Mumbai-based industrialists, the bureaucracy, many say, is scared and not taking decisions. Ministers are largely powerless because every file goes to the PMO. Over-centralisation, some said, is leading to policy paralysis of a different kind.

"This is a one-man show. The PM is trying to run everything from defence policy to foreign policy to finance," said one of the business leaders cited. When the Reserve Bank of India and the finance ministry were at loggerheads over budget proposals related to debt management and bond regulation, the issue was flagged to the PM.

"Modi, who has a direct equation with governor Raghuram Rajan ensured that RBI's powers remained (intact)," said the person. "The PM selects every single CEO who accompanies his delegation overseas every single time. He works 17-18 hours a day but there no delegation," said the Delhi-based industrialist.

he PMO did not respond to queries seeking its response on the perception of excessive centralization and sensitivity to criticism.



"No one in

his cabinet can claim a special relationship with him. His key advisors are bureaucrats," said another corporate head. This is why Modi lacks "political maturity" and is therefore sensitive to criticism, unlike others in his party such as Nitin Gadkari, said this person.

"When news reports emerged of Gadkari availing the hospitality of the Ruias (Essar's promoters), he called a press conference and aggressively defended himself. The next day he was also part of a function involving the Ruias. The news report did not dent his relationship with them. Contrast that with how Modi reacts," said this person.

Govt & big business

Corporate India is also abuzz with speculation on the relationship between Modi government and Gujarat-based businessman Gautam Adani and Reliance Industries Ltd (RIL). While Adani is widely seen as being close to Modi, there is increasing chatter of growing distance between RIL and the government.

Adani, who has accompanied the PM on all trips abroad and has also stayed in the same hotel as him unlike the other industrialists, dismisses talk of a special relationship.

"We are serious players in the infrastructure sector and no special favors have been granted to us. We work with all political parties--be it BJP, Congress or regional parties," Adani told ET. He said merely working with the government cannot be construed as "crony capitalism" and that he has known Modi for the last 25 years, along with many other political leaders.

The opposition has been unable to point out any instance of Adani getting special treatment. "Modi is his own man and even Gautambhai knows that," said a BJP functionary.

But the perception of proximity has people flocking to him to resolve issues with the government. Jindal, when denied an appointment with the PM, went with his wife to Adani to "seek advice" according to people in the know. Jindal declined to comment on specifics of his interaction with Adani. "Gautam is a dear friend and I meet many people," said Jindal.

Former environment minister Jayanthi Natarajan who launched a blistering attack on the Congress party earlier this year is said to have tried to reach the BJP through Adani.

In the case of RIL, analysts see the government's scrapping of the higher gas price set by the UPA government and stymieing of two arbitration cases initiated by the company as evidence of a relationship growing cold.

A Mumbai-based promoter said all of big business was being treated the same. "Why Mukesh Ambani, tell me one industrialist who's happy with the Modi sarkar? They all funded the elections but are disappointed today. Adani may be a close friend but did SBI play ball with him? No. Did he get any coal mine? No." The reference is to a \$1 billion loan sought from State Bank of India for Adani's Australia business.

RIL did not respond to questions on the arbitration cases and its relationship with the Modi administration.

"The mood is sombre. But still there's hope because they see the man as hard-working and making fundamental changes, which will bear fruit in future," said an industrialist.
(With inputs from Our Bureaus)