Japan's Suzuki Royally Drains Away Wealth of India Through Maruti's Royalty Payments!

With the slogan of 'Make in India' the NDA rulers have been wooing the foreign direct capital to invest in India, by promising more and more concessions including to amend the statute to the benefit of FDI in the name of making India more investor friendly. Even various state governments on their own are visiting foreign countries and begging all and sundry to invest in their states announcing attractive incentives to promote FDI investment. All this is being carried out in the name development of Indian economy and creating jobs for the unemployed in India.

However various experiences with F.D.I. in the companies like NOKIA, FOXXCON etc it is amply proved that creation of jobs is a myth since they are not qualitative jobs and stable jobs which can be terminated in a moment and that the plunder of wealth from India is a definite affect in various forms in which 'payment of Royalty' is an easy and convenient method of loot.

This fact of plunder can be easily understood by the example of Maruti Suzki's payment of royalty payment to its parent, Japan's Suzki.

For the past ten years the royalty payment by Maruti to Suzuki has tripled from 13% in 2005-06 of before tax to 36% in 2014-15. In 2014-15, Maruti Suzki's expenses towards royalty at Rs 2,767.7 crores. The total amount of royalty payment of Maruti to Suzki from 2009-10 to 2014-15, i.e. in 6 years is Rs 1,26,679 crores. Through the past 15 years, the royalty paid to Suzki has grown 6.6 times to Rs.21415 per car sold, while average sales realisation per car has increased only 1.16 times. While Suzki's consolidated R&D spend per vehicle (including bikes) average four per cent of sales, its royalty payments from Maruti are six per cent of net sales. It is evident there is no restriction of maximum payment on royalty payment and Suzki is plundering more and more Indian wealth in the name of royalty unchecked and unquestioned.

Since 2009-10, the royalty paid to Suzki has steadily increased to as high as 46% in 2011-12 and 2012-13.

Through the past five years, Maruti's aggregate payment towards royalty was Rs 11,870 crore, while the five year profit before tax aggregated Rs 16,770 crore. Aggregate percentage of royalty over profit is 70%. In 2009 the Indian government lifted restrictions on royalty payments by Indian companies to foreign entities, which made the foreign entities to loot royalty payments as they wish.

Royalty payments are not put to vote of the share holders, and they are not disclosed with the information of royalty payments or explained about such a need for high payments in lieu of royalties. Neither the SEBI norms too mandate securing share holders' nod. Previously the royalty payments to foreign entities rarely exceeded 10% of the net worth. But the practice of Maruti's royalty payments shows how the FDI companies can loot without restriction from their Indian subsidiary companies.

The Institutional Investors' Advisory Services (IiAS) which has disclosed the above data with its analysis has rightly termed Maruti's royalty payments as "extortive" and explained it as an unequal distribution wealth to promoters vis-à-vis minority share holders.

Com T.N., in his "India Mortgaged" had long before warned about the pitfalls and the method of looting Indian wealth by the FDI through the royalty payments-one form among many other forms of draining wealth from India.

This form of loot shall not be seen only in the limited scope of a loss to the minority share holders of Maruti, but in broader scope that very huge amounts of Indian wealth in beeing siphoned off, and drained out of the country in the name of royalty payments by Japan's Suzki to the detriment of the interests of Indian economy.

Thus it is to be understood the royalty payment is one of the many forms FDI that drains away the wealth of India.

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