

THE TIMES

Tata instigates new age of empire

By Ashling O'Connor

While India was once in thrall to Western business, the boot is on the other foot

TO UNDERSTAND how power in India has changed, look no farther than the majestic Taj Mahal hotel in downtown Bombay and the now dilapidated Watson Hotel that sits in its shadow.

The Taj Mahal hotel became the foundation stone of an Indian business empire that became the conglomerate Tata, which yesterday agreed a multibillion-pound takeover of the steelmaker Corus. The Watson Hotel was to become emblematic of a failing British empire.

The 130-room Watson Hotel was the classiest place in town in the late 19th century, under the Raj. It was so exclusively white that it even imported its waitresses from England.

The story goes that Jamshedji Tata, a Parsi textiles trader and the founding father of India's foremost industrial house, was so angry to be turned away at its richly carpeted door on the ground that he had brown skin that he built his own luxury hotel in defiance.

The Taj, overlooking the Gateway of India, is now the place to be seen in Bombay for anyone who is anybody, while the sad-looking building that was Watson's is home to nondescript law firms, courier companies and photocopying shops.

Watson's, one of the world's last cast iron buildings, but now a mere skeleton, stands as a salutary lesson to those who underestimate the ambitions of Indian businessmen. The tale of Jamshedji Tata's decision to build the Taj may be the stuff of legend but it has served as a rallying call to budding entrepreneurs fighting prejudices in the developed world.

With the £4.3 billion takeover of Corus, which had been British Steel, the very epitome of Western industrialism, Ratan Tata, the Indian group's present-day patriarch, has proved again that Indian business is a force to be reckoned with. The message is that there is a whole lot more to Indian business than call centres.

Lining up behind Tata are a legion of groups relatively unknown outside India but with a newfound corporate confidence that is encouraging them to think globally.

"Times are changing. Indian companies, instead of being acquired, are acquiring," R Sreesankar, head of research at IL&FS Investsmart in Bombay, says.

Ranbaxy Laboratories, the pharmaceutical group, recently acquired RPG Aventis to become a top player in the European generic drug market; Mahindra & Mahindra, the flagship company of the Mahindra Group, has picked up Stokes, a British automotive forging company, the tractor manufacturing assets of China's Jiangling Motor, and Jeco Holding, a German forging company; Suzlon paid more than \$500 million (£265 million) to acquire Hansen Transmissions, of Belgium; Vijay Mallya's UB Group is considering a £400-million bid for Scotland's Whyte & Mackay; and Videocon Industries is leading a consortium bidding \$700 million for Daewoo Electronics, of South Korea.

Once inward-looking by force of foreign currency restrictions, India's companies have capitalised on the economic reforms of the early 1990s to build some of the healthiest balance sheets in the world. And viewed in a more credible light by international investment bankers in just the past two or three years, they are finding it increasingly easy to raise debt, in a country where credit is a new concept.

Following an easing last year of the cap on overseas mergers and acquisitions, Indian companies are now allowed to invest up to 200 per cent of their net worth abroad annually. They are not letting the opportunity go to waste.

"This is the beginning of a new global environment. People need to wake up to that," Jon Thorn, director of the India Capital Fund, which began 12 years ago, said. "This is the first time an Indian company has ridden on to centre stage but it will be the trigger for many more. The changes are not going to be reversed."

Indian companies have taken relative baby steps into international markets, but the Corus takeover thrusts India Inc into the big league. The deal on its own more than doubles the combined value of foreign acquisitions by Indian companies so far this year.

Jamshedji Tata would have been impressed.