

Why are Indian companies exiting overseas subsidiaries?

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Last week, Zomato informed exchanges that its wholly-owned subsidiary PT Zomato Media, Indonesia has initiated the process of liquidation. The announcement came just a week after the food delivery and restaurant-discovery platform announced the deregistration of its wholly-owned subsidiary, Zomato NZ Media Pvt Ltd and closure of its step-down subsidiary Zomato Australia Pty Ltd in early June.

DATA FOCUS.

However, Zomato is not the only company that has been winding up its overseas operations. In the last six months, over half a dozen Indian companies have either closed down their international subsidiaries or initiated the process of liquidation.

CLOSED SUBSIDIARIES

While Zomato alone closed six overseas subsidiaries, Chennai-based water technology company, Va Tech Wabag fully sold its subsidiaries in Switzerland and Czech Republic. Automobile major Mahindra & Mahindra announced that it has shut its West African and Bangladesh subsidiaries.

One common thread in these closures is that the contribution of these subsidiaries to the overall revenues or net worth was quite negligible.

"In the last few years,

Exit route.....

Some of the major companies that announced sale/closure of their foreign subsidiaries

Parent company	Foreign subsidiaries*	Country of operation
Zomato	PT Zomato Media Indonesia	Indonesia
	Zomato NZ Media	New Zealand
	Zomato Australia	Australia
	Zomato Ireland- Jordan	Jordan
	Zomato Media WLL	Qatar
	Zomato Canada Inc	Canada
	Va Tech Wabag	Wabag Wassertechnik AG
	VA Tech Wabag Brno spol. S.r.o.,	Czech Republic
Mahindra & Mahindra	Mahindra Bangladesh	Bangladesh
	Mahindra West Africa	Nigeria
Jindal Saw	Green Ray Holdings	UK
TD Power Systems	TD Power Systems Japan	Japan
Zuari Agro Chemicals	Adventz Trading DMCC	Dubai
United Spirits	United Spirits (Shanghai) Trade Company	China

Source: Exchange filings

*includes wholly-owned/ step-down subsidiaries

many Indian companies opened subsidiaries in Europe and in other parts of the world to take advantage of the global growth," said Kranthi Bathini, Director Research, WealthMills Securities.

"But many of them are now forced to shut shops overseas," he added.

Va Tech Wabag sold its Czech Republic subsidiary 'VA Tech Wabag Brno spol. S.r.o.' to VCL Group for €1 million and its Switzerland subsidiary Wabag Wassertechnik AG to HFS Aqua Holding AG. In both cases, the company said the move is part of the business

strategy to optimise the group's structure and in line with its strategic focus to reduce its exposure to European geographies.

COMPLIANCE COSTS

Bathini said despite negligible business, companies need to incur heavy compliance costs and fixed costs as long as their business is operational. "That is also the reason why they are shutting down shops," he added.

Companies like United Spirits and TD Power Systems said they are closing down their overseas subsidiaries due to "inoperation".