Fraud concerns raised over Gupta group of companies

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Further doubts have been cast over the future of the metals trading and manufacturing company GFG Alliance owned by Sanjeev Gupta following the publication of details of possible fraudulent activity.

Thousands of jobs are under threat in Britain, France and Australia if companies owned by Gupta, once touted as the "saviour of steel," are forced into administration and possibly wound up.

Evidence of possible fraud was revealed in an article published by the *Financial Times* (FT) over the weekend. It involves the use of fake invoices that formed the basis of finance provided to Gupta's operations by the now collapsed financial firm Greensill Capital.

The liquidation threat arises from legal action taken by Credit Suisse which provided up to $10 billion for Greensill and is now attempting to recover some of its losses through a liquidation operation.

Greensill packaged the loans to Gupta into funds that were then sold off to Credit Suisse. The FT article said that six European metal companies named by Credit Suisse's fund accounts had confirmed to the newspaper that they had never traded with Liberty Commodities, one of Gupta's firms.

Ulrich Becker, the chief executive of KME Germany, one of the companies named, said: "We have nothing to do with Liberty. We did not trade with them in the past, we are not trading with them now, and we will not trade with them. We are copper producers and don't even know that we would have bought from them."

The German scrap metal firm RPS Siegen also said it had never traded with Gupta. However, Gupta told the FT that RPS had been "identified as a potential customer" and financing had been provided on that basis. The article stated that "among the invoices seen by the FT is a Liberty Commodities bill submitted to Greensill, which claimed Gupta's trading firm had sold nickel to RPS."

A GFG statement submitted in response to questions from the FT about the suspect invoices also pointed to the dubious activities of Greensill. "Many of Greensill's financing arrangements with its clients, including some of the companies in the GFG Alliance, were prospective receivables programs, sometimes described as future receivables. As part of those programs, Greensill selected and approved companies with whom its counterparties could potentially do business in the future," it said.

But as the article pointed out, GFG failed to account for the fact that it provided invoices from trading with a company where the relationship was only "prospective."

The fallout from the collapse of Greensill and the legal action by Credit Suisse is widening. GFG employs 35,000 workers globally, all of whom are threatened with the loss of their jobs. It employs 5,000 workers in Britain, where, in Yorkshire, some 1,600 jobs are at immediate risk in three plants. Many of the 600-strong workforce at the Liberty Steel factory in Rotherham, South Yorkshire, have been placed on furlough and production at the plant has been described as "intermittent" since the middle of March.

In France, Gupta last week placed parts of his Alvance operation, involved in the manufacture of aluminium, in effective administration in order to try to protect them from creditors. Alvance launched a "conciliation procedure," in which a conciliator tries to work out arrangements for the payment of creditors for three factories it owns which make parts for cars.

The factories employ almost 1,000 workers but there seems to be little prospect of rescuing them because their major customer, Renault, appears to have severed relations and GFG is not able to finance them.

An official of the CGT trade union said the conciliation process was not likely to succeed "especially since Renault and the government are not in a hurry to come to our rescue."

As the financial net closes around his conglomerate, Gupta has initiated a media campaign attempting to portray himself as the defender of workers and their jobs against rapacious creditors.

In an op-ed piece published in the London *Times* on Friday, he wrote that "aggressive tactics" by Greensill creditors were "threatening tens of thousands of long-term jobs" in the UK and elsewhere.

"These creditors are at risk of destroying their own chance of recouping value by taking these knee-jerk actions. They undermine profitable businesses and ultimately put at risk thousands of skilled, industrial jobs in communities with limited alternative employment opportunities."

In an oblique reference to some of GFG's financial practices, Gupta said both he and GFG were "ready to change." "We understand that the way we used to finance our operations needs to be overhauled and we will address our challenges head on." But at this time of crisis what was needed were "cool heads and collaboration, not dangerous and cavalier behaviour."

The media offensive has extended to Australia where around 1,800 jobs at the Whyalla, South Australia, steelworks of OneSteel Manufacturing are threatened, along with jobs at the metallurgical coal mine Tahmoor Coal in NSW. A liquidation operation launched by Citibank on behalf of Credit Suisse is set down for a hearing on May 6.

In 2017 Gupta was hailed as the saviour of Whyalla and led a victory march through the town, replete with union banners, when his company took over the plant. It had been placed in administration following the collapse of the previous owner Arrium in 2016.

Last week Gupta issued an open letter to the people of South Australia and the population of Whyalla, in particular, thanking them for the support they had shown since the Greensill collapse.

Whyalla, he wrote, had played an important role in providing high-quality steel that had shaped much of the country's infrastructure for many decades. "I care deeply about continuing this legacy and building upon it to ensure and a sustainable future for industry and society."

He claimed that GFG had received "multiple offers" from large lenders to finance both the Whyalla works and the Tahmoor coal mine that were now in an advanced stage of "due diligence."

"Whyalla will always be a special place for me," he concluded, "I have said before it is my spiritual home."

None of this should be accepted by workers now facing the prospect of losing their jobs and livelihoods as a result of the dubious financial operations carried out by Gupta and his cohorts at Greensill. His spiritual and material home is not Whyalla, or Rotherham or his operations in France but money and capital.

His appeals are aimed at using the threat of thousands of job losses and the consequent economic and social devastation to pressure governments to come to the rescue of his financial empire.

In considering how to meet this impending threat, workers at Whyalla and around the world need to make a sober assessment of the experiences through which they have passed. Gupta and his companies were presented to them by the trade unions and Labor leaders as the path to a secure future. Just four years on, they are confronted with a disaster.

The issue goes far beyond the issue of the possible fraudulent operations conducted by Gupta and Greensill. The use of dubious and possibly criminal financial methods is not a personal or individual issue. Rather, it is the expression of a widening malignancy lodged in the very heart of the global financial system.

The entire financial world now functions on the basis of subjective valuations and the manipulation of arcane mathematical models, utilising the supply of ultra-cheap money from the world's central banks, to ensure the flow of profit into the hands of the financial oligarchy at the expense of the rest of society.

These operations and the "valuations" attributed to financial assets bear no relation to the underlying real economy and contain within them the seeds of a collapse, with vast, devastating, social consequences. This can be seen from the fact that, in the midst of the greatest economic contraction since the Great Depression, the stock market has enjoyed one of its best years ever, reaching record highs.

The collapse of Greensill and its impact on Gupta's operation is a warning of the crisis now building up in the financial system as a whole and the threats confronting all sections of the working class, the world over.

Workers cannot meet these dangers by seeking a solution for "their" individual companies within the framework of the profit system. That was the road taken four years ago and it has ended in an even bigger crisis.

The working class must advance its own independent program to meet the crisis of the system as a whole which, as the global character of the GFG crisis reveals, must be international in scope.

Discussion should begin on the fight to establish independent rank-and-file committees to fight for the interests of the workers against the perspective of the unions which will seek to lead workers into yet another dead-end and defeat.

This perspective must be grounded on a program that tackles the great problems at their source through the struggle for a socialist program based on the taking of political power by the working class as the first step in putting the banks, financial system and major industries into public ownership under democratic control.