

Jagan Reddy's Investments in Sikkim ignored by CBI

by **Soumik Dutta** - Gangtok, August 7, 2013

When YSR Congress chief Jagan Mohan Reddy's investments and disproportionate assets spread all over the country is being investigated by the CBI, surprisingly, one state in India, where the Kadapa MP has substantial benami investments and clout has been conveniently left out by the central sleuths. Whether this is due to the imposition of the section 6 of the Delhi Special Police Establishment (DSPE) Act of 1946 by the ruling Sikkim Democratic Front (SDF) party led government headed by Pawan Chamling, or there are other political compulsions, or a nexus between Reddy and Chamling, is a matter still left murky at the best. Under the section 6 of the DSPE Act, the CBI needs to obtain prior consent of the Sikkim chief secretary to enter Sikkim for investigations.

Background of the Jagan entry

After a landslide election victory in May 2004, Chamling kept the energy and power portfolio and the Energy and Power Department was directed that within 100 days, it had to sign agreements for generating 3,000 MW. A high-powered committee in June 2004 announced that the government would enter into MoUs with independent power producers (IPP) and take a 26% equity stake in the projects. The IPP would arrange funding for the government's share of equity as well, which would be repaid from the revenue that would accrue from its share of free power. In addition, royalty was set at 12% of net energy (minus the state's share) for the first 15 years and then 15% for the next 20 years. This entire proposal of using discretion to hand over projects stank right from the start - the only exception to competitive bidding for state hydro projects are joint ventures where the state electricity board or public sector undertaking has over 51% equity.

A consortium led by a company called Cosmos Electric Supply, promoted by former ITC Chairman KL Chugh was selected for the 1200 MW Teesta III; another company, Athena Advisors, was rejected according to a cabinet note dated October 15, 2004. Three days later, a director of Cosmos wrote a letter to DD Pradhan, secretary, power and energy department, asking the state government to extend the duration of contract or reduce the royalty rate. Four months later, in a cabinet note dated February 21, 2005, it was proposed to allot Teesta III to Athena Consortium (the new avatar of Athena Advisors); a day later, it was approved and four days later, the letter of intent was issued.

Behind Athena's transformation from foot-dragger to winner is its changing persona. In its first letter to the government of Sikkim, it is Athena Advisors; in a September 2004 presentation, it had become Athena Consortium, a joint venture between state PSU Andhra Pradesh Genco and a group of companies led by Athena Projects (APPL). In a cabinet note dated February 21, 2005, the company was called APGenco-Athena Consortium. Athena Consortium had seven members, including APPL, L&T, ICICI Securities, PTC India, IL&FS, Karvy and Halcrow. APPL was formed only in August 2004 and in its short but exciting life, had not executed a single infrastructure project. Yet the letter of intent was sent exclusively to APPL, which formed a special purpose vehicle, Teesta Urja Limited (TUL), for its joint venture with the Sikkim government. The shareholding of Teesta Urja is interesting, to say the least. The Sikkim government holds 26%, 11% is held by PTC, 13% by financial investors including Morgan Stanley and General

Atlantic, and 50% by Asian Genco. The last is a Singapore-based company formed only in January 2007 and which was not part of the consortium selected by the Sikkim government. It is controlled by TV Vijaykumar, who was part of the inner coterie of YSR Reddy. Krishna V Tatineni, vice chairman of Asian Genco, though, has denied any involvement with Jagan. Sikkim government contrary to the terms of the MOU had to take a loan from the power finance corporation (PFC) to purchase 15% of its 26% equity, after a truce on an arbitration case regarding non-compliance of equity contribution by TUL.

It's not just Teesta III; the other five Teesta projects are also mired in controversy. The CBI report points out that Jagan's Sandur Power has sold substantial shares to the Lanco group - which is executing Teesta IV. Teesta V was given to NHPC and later, infra company Navayuga invested Rs 60 crore for 100% stake in the project. „Jagan bought that for not more than Rs. 1 crore“, alleges a Congress MP from Andhra on conditions of anonymity. Meanwhile, Jagan's wife Bharathi has a controlling stake in Teesta II, which is being developed by Himurja Infra. Jagan loyalist JJ Reddy sits on the board of Teesta II as well as Bharathi Cement and Jagati Publications (Source: ROC documents).

The FIR filed by the Central Bureau of Investigation in the case relating to amassing of wealth by Kadapa MP Y.S. Jagan Mohan Reddy has exposed several industrialists in the state of Andhra Pradesh who benefitted from many underhand deals. However, a small coterie, believed to be close confidants of former advisor Dr K.V.P. Ramachandra Rao, who are allegedly huge beneficiaries too during the YSR regime, haven't come under the CBI radar yet. These men, who sources in the Secretariat say were part of KVP's inner circle, were the backroom boys, taken into confidence while many schemes, now termed as scams, were being discussed. Hailing from a middleclass family, Vijaykumar grew in stature and wealth thanks to his managerial prowess in New Delhi. His father, Mr. Bhoomaiah, was an employee of SRMT, Kakinada, and Vijaykumar's growth was mainly attributed to his association with former Lok Sabha speaker, late G.M.C. Balayogi. He was close to TDP chief Chandrababu Naidu too. With power equations changing in the state, Vijaykumar became close to former adviser Dr K.V.P. Ramachandra Rao. He managed huge investments in the power sector including the controversial East Coast Energy in Kakarapalli. KVP's son Ujwal is said to have been trained in the energy sector by Vijaykumar. His Singapore based Asian Genco has capital outlay of 4.5 billion.

Jagan Mohan Reddy's foray into Sikkim hydro power projects

The Sikkim Government handed over the Teesta Stage II hydro power project proposed to be built on the sub river Lachen to Himurja Infra Private Ltd. launched as a special purpose vehicle (SPV) by the promoters Arun Gupta and Manu Gupta. The estimated cost of the project was Rs. 1650 crore.

Arun Gupta and Manu Gupta had registered the company on Nov 28, 2005 with 5000 shares each. Within one month of the registration, two persons Chinta Sridhar and Chinta Sasidhar joined the company as directors. Later, RR Global promoter Sajjala Diwakar Reddy, a close confidant of Jagan, joined as director of the company. Almost simultaneously, Jagan's allies Harish C Kamarthy, N Sangi Reddy and JJ Reddy also joined as directors.

In 2009, the authorized capital of the company was increased to Rs. 5 crore from Rs. 10 lakh with the number of shares being increased to 50 lakh from 10,000. On Oct 19, 2009, Jagan's wife Bharathy Reddy purchased 40 lakh shares by paying Rs. 4 crore and became the majority share holder of the company.

Chinta Sridhar and Chinta Sasidhar, Sajjala Diwarkar Reddy, N Sangi Reddy and others gave up the posts of directors leaving the complete management in the hands of Bharathy

Reddy. However, the promoters of the company, Arun Gupta and Manu Gupta, also remained as nominal share holders of the company.

The official status of this project as published in the Energy and Power Department website says that the DPR has not been prepared yet and that the project survey and investigation works are being delayed due to local resistance. Himurja Pvt. Ltd. was given LOI for 330 MW Teesta II on 1.3.2005, IA was signed with GOS on 1.3.2006 and then the company informed GOS that installed capacity as per new investigations and surveys is at 480 MW as submitted to CEA and MOEF for approval.

On 1.12.11, the GOS issued termination letter to company citing delays in FC, EC, change in share holding without intimation to GOS, and overall failure of time guideline. In a recent affidavit filed by former Secretary Power Department, GOS, Mr. A K Giri in reply to a PIL in the Sikkim High Court, the company has at the behest of the GOS, submitted a revised proposal of a reduced 150 MW project in the Chungthang GPU area, which the Power Department after scrutinizing it, allotted the fresh revised Letter of Intent (LOI) for the scaled down 150 MW on 17.9. 2012. (Source: GOS file notes obtained from RTI.)

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