

## Opinion » Op-Ed

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### Gadkari and the business of politics

Sreenivasan Jain



*The BJP president's financial dealings reek of cronyism and conflict of interest, and could jeopardise his political career*

The current shadow of controversy that hangs over Bharatiya Janata Party president Nitin Gadkari has its roots in the distinctive nature of Maharashtra politics, dominated by owners of sugar mills, cooperative banks, dairies, and educational institutions, sometimes by all four at once. It's a trend which might cause alarm elsewhere but which Maharashtra's politicians like to present with a benign spin, that there is nothing wrong with padding your political base and bank balances as long as it is also in the public good. Who knows, perhaps in its early years this formula might have made for a certain kind of progressive politics, absent in the cow-belt States. But 50 years down the line, those same cooperative banks and sugar mills have been milked dry and run to the ground. The State's businessmen-politicians have expanded into areas of hard commerce like hotels, malls, and luxury apartments. As a natural corollary, builders and contractors have been made MLAs, MLCs and MPs. Today, Maharashtra regularly makes headlines as the perfect Petri dish for everything that ails contemporary Indian politics: cronyism, conflict of interest and sometimes, outright corruption.

Mr. Gadkari's own business career reflects the perils of that model.

As a late entrant to Maharashtra's politician-businessman club, Mr. Gadkari began with a sugar mill in Vidarbha in 2001, ostensibly to encourage the region's distress-hit cotton farmers to turn to a less risky crop. Except he chose to locate his plant on the outskirts of Nagpur, somewhat removed from the cotton-growing, suicide-prone districts of Vidarbha. At any rate, his description of himself as politician-cum-social entrepreneur would apply, if at all, to Purti's early days. Very swiftly, Purti expanded into areas that made it hard to justify outright social benefit, like ethanol and alcohol, which it supplies, among others, to Vijay Mallya's UB Group. When Purti decided to expand into power, Vidarbha's sunrise sector, it brought Mr. Gadkari in conflict with his own party, which opposed the diversion of water from Vidarbha's irrigation dams to a rash of new power projects. On Purti Group's website, one of his group companies, Avinash Fuels, says it has applied for coal mining in Maharashtra, Orissa, Madhya Pradesh and Chhattisgarh. (The website has since disabled all such pages). But it retains Purti's basic description as 'Vidarbha's leading business group', 'a Rs. 3000 million company' — which only shows how far Mr. Gadkari has come from his self-description as a patron of Vidarbha's poor.

While all of this may have opened up Mr. Gadkari to questions of conflict of interest, our investigation has raised more serious questions about the source of the capital that financed Purti's rapid growth.

In its regulatory filings, Purti Sugar and Power Pvt Ltd.'s start-up finance came from a paid-up capital of Rs. 68 crore, raised through the sales of six crore shares. About 70 per cent of these shares are owned by 18 companies. Their identity is impossible to ascertain since, as NDTV reporters discovered, none of them have given accurate addresses. For example, Earnwell Traders and Swiftsol India, which own shares for about Rs. 5 crore in Purti, gave their address as Govind Karman Chawl in Malad East. The residents of the *chawl* had never heard of these companies. Similarly, another set of investors in Purti, Chariot Investrade, Regency Equifin and Leverage Fintrade, also gave a false address in Malad East. One company, Sterlight Fincom, has changed its address three times in five years. And so on.

**Evasive**

When we asked Mr. Gadkari in studio last week about the identity of his mystery investors, he was evasive. He first said Purti was owned by 10,000 farmers, and he cannot remember each of their names or addresses. We pointed out that these so-called farmers own only 10 per cent of Purti, and that the rest are owned by 18 companies. He then said he “approached many people from the society: industrialists, traders, businessmen and investors ... and also NRI people”.

But several of these companies have Mr. Gadkari’s personal staff as their directors. Ashwami Sales and Marketing, which invested Rs. 3.2 crore in Purti, has as its director Manohar Panse, Mr. Gadkari’s driver. Sterlight Fincom, which invested about Rs. 4 crore in Purti, has as its director Vishnu Sharma, Mr. Gadkari’s astrologer. Why would the cash-strapped president of a political party borrow money from his own (presumably even more cash-strapped) employees?

Moreover, Mr. Gadkari has advanced loans to at least one of these companies that he is borrowing from. The balance sheet of Regency Equifin, which bought about 40 lakh shares in Purti, shows an unsecured loan from Nitin Gadkari of Rs. 26 lakh in 2009, which is reduced to Rs. 16 lakh in 2010. So not only is Mr. Gadkari borrowing from companies run by his personal staff, he is also lending money to those companies.

In his defence of the BJP president, senior party leader Lal Krishna Advani has said the “allegations [against Gadkari] are about standards of business and not about misuse of power or corruption”. But in the words of a chartered accountant, companies that exhibit such features — ghost directors and addresses, cross-holdings, cronies as directors — fit the pattern of shell companies used to convert black money into white. According to this CA, somewhere, six layers back, these companies would be making cash deposits into a bank account, most likely in a bank with weak regulatory framework. And while these market practices, however dubious, are not unusual for businessmen looking for quick cash-to-cheque conversions, Mr. Gadkari is no ordinary businessman. Congress leader Digvijay Singh was quick to allege that Mr. Gadkari is routing kickbacks via these shell companies.

Mr. Gadkari has vehemently denied this. But one of the early investors in Purti (and the only one whose identity is known) is Ideal Road Builders, a subsidiary of Maharashtra’s biggest toll road company, IRB Infra Developers Ltd. During Mr. Gadkari’s stint as PWD Minister between 1995 and 1999, Ideal Road Builders received six contracts worth Rs. 63 crore. Just a year after Mr. Gadkari demitted office and started his sugar factory, Ideal picked up shares worth Rs. 1.85 crore in Purti, later increasing their shareholding value to Rs. 2.8 crore. D.P. Mhaiskar, a director in IRB, also picked up Purti shares worth Rs. 4 crore on an undisclosed date. In 2010, Global Safety Vision, a company with Mr. Mhaiskar as director, loaned Purti Rs. 164 crore, which Purti used to wipe out its entire debt. Global’s balance sheet shows a paid-up capital of only Rs. 1 lakh. Mr. Mhaiskar told *The Times of India* this week that he had raised the money by selling a chunk of his personal stake in IRB.

## Question of equity

Mr. Gadkari seemed aghast at the suggestion that ex-PWD Ministers should not accept investments or loans from road contractors. He said the tendering process to Ideal Road Builders was above board, a claim contested by the NCP. Mr. Gadkari also said “taking equity is not a fraud. Equity is not a corruption, equity is a shareholding.” True. But for a politician and an ex-Minister, it is important to explain the source of equity. Equity from a road contractor to whom he has awarded tenders carries a strong whiff of conflict of interest. Equity from sources whose identity he has not been able to explain carries more serious implications. Mr. Gadkari has offered himself and his companies up for an enquiry. The government has responded with far greater alacrity than it demonstrated in the case of Robert Vadra, ordering enquiries by tax authorities and the Registrar of Companies into Purti and its investors.

Regardless of the UPA’s blatant double standards, the very fact that he is being probed will do no good to Mr. Gadkari’s political career, poised as it is at a critical juncture. This is quite apart from the damage any potentially damaging findings would cause. Would he in hindsight agree, as some in his own party do, that business and politics do not make for a healthy mix?

*(Sreenivasan Jain is Managing Editor, NDTV. He anchors the ground reportage show, Truth vs Hype on NDTV 24x7. E-mail: vasu@ndtv.com)*

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