



Mission & Vision

Moneylife Foundation is a not-for-profit organisation with a mission to spread financial literacy and be the voice of Indian savers.

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198 Seminars
28,200 Members
116 Speakers
1,25,000 Attendees

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FOR URGENT ATTENTION

Dr Raghuram Rajan
Governor,
Reserve Bank of India

Dear Dr Rajan

Greetings from Moneylife Foundation.

Sir, as a trustee of Moneylife Foundation, which represents over 28,000 people, I would like to draw your attention to the following newsreport. The first by Moneylife on "Who is pepper spray Rajagopal?". The Second by Shekhar Gupta of Indian Express.

Sir, as savers we want to question the growing cost of banking services to us, because people like Mr Rajagopal are recipients of reckless lending and frequent restructuring. Sir, this man, who called parliamentarians a "mob" in an interview to Rajdeep Sardesai of CNN IBN; who as a Member of Parliament does not seem to understand the sanctity of the august house, has been considered fit to be extended fit to get a Rs9,000 crore reprieve from our nationalised banks. We believe that the RBI is ultimately accountable for such excesses by nationalised banks at the cost of the people of India.

Moneylife Foundation requests you to order an investigation into the CDR and to make public all the documents pertaining to the CDR of Rs9,000 crore and the basis on which banks colluded to offer this reprieve to Mr Lagadapati Rajagopal. Why is the Sarfesi not invoked against LANCO? Dr Rajan, this is the second time that we are raising the issue of special favours to politicians. The previous case was that of Vijay Mallya of Kingfisher Airlines who continues to be treated with kid gloves.

Sir, a hard copy of this letter is being sent to you separately. We urge you to respond to our plea urgently and act swiftly to protect national resources being squandered by such dubious corporate houses.

We look forward to hearing from your office urgently in order to be able to plan our next course of action. Sir, you are known around the world for your no-nonsense views on **capitalism** and **capitalists** -- we are writing to you with a lot of hope and expectation!

with best regards

Sucheta Dalal
Founding Trustee

CC: Dr K C Chakrabarty: Deputy Gov., Reserve Bank of India

1. [Who is Pepperspray Lagadapati Rajagopal](#)

L Rajagopal, the chairman of Lanco group and Congress MP sprayed pepper spray while the Telangana bill was being placed in Lok Sabha. Lanco, which is in the debt restructuring process, has also been frequently involved in a number of controversies

Lagadapati or L Rajagopal is in the eye of storm for using pepper spray in the Lok Sabha for stopping the Telangana bill from being submitted. The Member of Parliament (MP) from the Vijaywada constituency is a known opponent of bifurcation of Andhra Pradesh. Although, this time, the Congress MP seems to have gone too far. Following the pepper spray incident, he, along with 17 other MPs, is suspended from the Lok Sabha for rest of the session. Earlier too Rajagopal has crossed swords with Lok Sabha Speaker Meira Kumar.

While speaking with Rajdeep Sardesai of CNN-IBN, the MP accused Congress leadership, including Sonia Gandhi, for influencing the Speaker to suspend him along with 17 other MPs. "More than 100 MPs were in the well on Thursday, the Speaker singled out some MPs, action must be taken against all MPs. Ministers were in the well too. The government and the Congress leadership influenced the Speaker to act in this manner. The procedure of introduction of the Bill was incorrect, she didn't read our names. We will be sending letters of how all procedures were violated to the Speaker and various political parties," Rajagopal told the channel.

Defending his stand over using pepper spray in the Lok Sabha, the expelled Congress MP said he used the spray only in self-defence as he was attacked by a mob. "I have a right to defend myself. Pepper spray is a legally allowed weapon of self-defence. What would I have done if the 'mob' attacked me. I used the pepper spray to disperse the crowd that had gathered at the well of the house," Rajagopal told CNN-IBN in an interview.

There is another side of Rajagopal, a corporate or business side that is also equally controversial. He is founder chairman of the Rs15,000 crore Lanco group that has interests in engineering, procurement and construction (EPC), power, solar, natural resources and infrastructure.

In 1985, Rajagopal joined Lanco, which at that time was a small company.

According to Wikipedia, Lanco grew at a tremendous pace since the early 1990s, after Rajagopal married the daughter of veteran Congress leader Parvathaneni Upendra, and joined politics himself. Initial growth was driven by large contracts primarily in construction. Later, other infrastructure areas such as power generation, transportation etc. were also added.

"(Lanco's) key businesses have been frequently involved in a number of controversies. In 2007, (its) managing director GV Babu was caught at an airport with a suitcase containing Rs34 lakh in unaccounted cash. Repeatedly tarnished by charges of corrupt practices and contract irregularities, Lanco Infratech Ltd ran into financial trouble and has filed for Corporate Debt restructuring (CDR) in July 2013," Wikipedia says.

In December 2006, the company won a large contract citing a collaboration with Singapore firm Globeleq. However, two months later, Lanco (along with Jindal) acquired Globeleq Singapore, and other competing bidders alleged foul play, resulting in the bid being cancelled.

Wikipedia says, "In several situations, Lanco would obtain substantial reappraisals after winning a contract. In 2007, after winning the bid for the 1000MW Anpara-C power plant, Lanco requested that the power output be re-negotiated. Some competing firms protested since the re-negotiation process made the initial bidding meaningless. However, Lanco managed to retain the Anpara project."

In a similar bid for power plants in Uttar Pradesh, Lanco's bid was initially accepted, but after they asked for an increase in the power selling rate, fresh bids were sought and Reliance Energy went on to bag the contract.

"In 2007, it was revealed that the company had also been the beneficiary of a number of multi-crore insurance 're-appraisals', which are required by many contracts. The scam involved government owned insurance companies," Wikipedia says.

There were also charges of forgery against Lanco, when New India Assurance claimed that the policy number 610200/44/08/03/60000027 of Rs1.89 crore, submitted to the housing ministry, had not been issued by it.

By July 2013, the company had filed for corporate debt restructuring (CDR), citing a business slowdown. Nomura had kept its rating and valuation (target price) on Lanco 'suspended' as it says the company is in the process of restructuring the debt on its standalone balance sheet, by way of reference to the CDR Cell.

"Group net debt-to-equity, including working capital loans of power SPVs and Griffin Coal acquisition debt, stood at 12.7x as of December 2013 compared with 10.7x as of September 2013. Receivables from state discoms stood at Rs2,770 crore as of December 2013 compared with Rs2,940 crore as on September 2013, as impasse on tariff-related issues continued; the decline in receivables was largely on the back of recovery of Rs160 crore from Uttar Pradesh," Nomura said.

Coming back to Rajagopal, he has been most vocal opponent of Telangana. Last year, he even resigned from the Lok Sabha. However, Lok Sabha speaker Meira Kumar rejected the resignation of Rajagopal and 12 other MPs in October 2013. Rajagopal then approached the Delhi High Court seeking direction for the Lok Sabha speaker to accept his resignation.

2. That's what India Inc smells like these days if you can breathe through the pepper spray (<http://indianexpress.com/article/opinion/columns/india-stink/>) or scroll down to read the article in its entirety.

India Stinc

By Shekhar Gupta

The real identity of Lagadapati Rajagopal, the Congress party's pepper-spraying MP from Andhra Pradesh, was not known to me till several hours after he hijacked news TV airtime from Arvind Kejriwal, an occurrence as rare as an Indian cricket victory overseas these days. I have to thank his fellow Telugu MP, Jaganmohan Reddy, for making me understand who we were dealing with and alerting me to the wider significance of his idiotic and criminal deed for everything ranging from Andhra politics to corporate India.

Jagan dropped by our newsroom Thursday evening, fresh from his suspension, along with other Andhra MPs. He outlined his conspiracy theory over tea with the precision of an experienced lawyer. First, can you really expect a chief minister to defy the high command, as Kiran Kumar Reddy is doing, in a party that is known to fire chief ministers in airport lounges? And second, do you know who Lagadapati Rajagopal is? He is the

same businessman whose company got a Rs 9,000 crore reprieve in a CDR (corporate debt restructuring) process just the other day. His bankrupt companies were given further loans of Rs 3,500 crore against an equity of just Rs 239 crore. Twenty-seven banks were involved in that bailout. You think, sir, it happened without his government's help? And would such a man dare to defy his party? He rested his case. The Congress, as usual, was playing a dual game, pretending to create Telangana while unleashing its own fifth column on Parliament to prevent it.

You could argue with Jagan over his theories. But even if he had not intended to do so, he had highlighted for us another implication of the pepper-spray shame, one which goes way beyond Andhra. It underlines the current plight, helplessness and loss of steam in corporate India, and also tells you why it is entirely well deserved.

Rajagopal is our richest Lok Sabha member on the Parliament website. He is the founder and chairman of the LANCO group, a large infrastructure and power conglomerate with listed companies. A couple of years back, LANCO became India's largest independent power producer. It also started going bust.

By the middle of last year, it was defaulting on repayments to several of its lenders, who had given it Rs 35,000 crore or thereabouts in debt. Particularly troubled was his LANCO Infratech, with over Rs 7,500 crore of stressed loans (out of his total debt of about Rs 35,000 crore against a market cap of less than Rs 1,700 crore and declining), and struggling to pay salaries and carrying out sizeable layoffs. It was not declared bankrupt simply because there is no bankruptcy law in India. Among its self-inflicted excesses of go-go times was the purchase of an AUD 750 million coal mine in Australia, which he has now promised his lenders he will resell. But rather than take him to the cleaners, his lenders' consortium, consisting of 27 banks, led by IDBI Bank, and comprising a galaxy of government and private banks — including the SBI and ICICI, the largest in each category — got together in December 2012 to plan a mega bailout. Now what exactly did he spray in their eyes? Foam?

RAJAGOPAL represents a class of carpetbagging but hugely risk-hungry Telugu infrastructure entrepreneurs whom I have preferred to call Andhrapreneurs for years. There are also GVK and GMR (the builders of the Mumbai and Delhi airports, respectively), Gayatri and IVRCL, builders of many highways. They have many things in common (except GMR). Their fathers were constructors who built the giant Nagarjunasagar and allied projects in the 1950s-60s. They learnt project construction as well as political and bureaucratic management without which you cannot lay a brick in a sarkari project. In the course of time, many inevitably joined politics. Many of them are related by marriage. They are a set of Andhra oligarchs with interests ranging from infrastructure, finance and real estate to the fourth estate and cinema.

The most fascinating aspect of the pepper-spray episode, however, is how quick all of us have been to jump at the throat of the political class. How they have shamed India, disgraced our democracy, sullied our Parliament and so on. Nobody, certainly not I, had figured that the man credited with the worst conduct ever in the history of our Parliament (and it would take some doing to get that distinction) was not your usual politician but a fabled and much-favoured star of corporate India, even if his stock price now sits around Rs 6.50, just about half of its 52-week high of Rs 13.50! He may not have been so hot at running his businesses, in spite of the handy aid provided by some of his own party's environment ministers, who were obviously in pursuit of "loftier" objectives. But boy, could he wrangle for himself and his vacuum-cleaned minority shareholders the sweetest of all sweetheart deals! And, whatever his success in entrepreneurship, he is an enterprising, brave and innovative politician with a deft hand with pepper spray in "self-defence". The stupid Lashkar or Jaish types will think twice before attacking our Parliament again. The CII, FICCI, Assocham, the holiest of the corporate lobbies in India, should hail this rare talent to have risen from their ranks.

MORE likely, however, they will keep entirely silent. They can blame the UPA for all their woes. They can hail Narendra Modi as the answer to all their problems and call him king of kings, god of gods. At the very same time, they can fawn all over Rahul Gandhi, be so touched by his concern for the poor and inclusive growth as to pull out violins and start sobbing ('Crony, crawly capitalism', National Interest, IE, April 13, 2013, goo.gl/Q1nmzK). They will whisper on the side about how his government's policies have bankrupted them. They will bitch endlessly about "insensitive" RBI governors who don't even listen to North Block. Give us low interest rates, easy loans and no reminders to return them. Moratoriums, bailouts, refinancing or plain, wretched evergreening, are their buzzwords. Or that horrible euphemism the bankers' community has invented for itself: haircuts. You read any of the recent data from the RBI, reputed market analysts and brokerages, economists, even from Uday Kotak on CNBC-TV18 this Thursday. You will know that the current stressed, restructured or non-performing loans in the Indian banking system amount to nearly 25 per cent of their total assets. Kotak put the aggregate at Rs 10 lakh crore out of total deposits of Rs 40 lakh crore. Scared yet? He says the banks' total write-offs over the next couple of years could be Rs 3.5-4 lakh crore. The total net worth of all banks now is about Rs 8 lakh crore. In other words, half their net worth will be wiped out. This is not money lost to India's farmers or millions of first-time home buyers (see how clean HDFC and most banks' housing loan books are in comparison). Most of it is lost to people like Rajagopal, our pepper-breathing MP. You can understand the business leaders and lobbies overlooking their brethren, whose real brilliance may lie in vacuuming their shareholders and fleecing their lenders. But they will not even speak about one of them spraying mirch in the Lok Sabha?

Whatever its complaints with the UPA, corporate India has to read the writing on the wall (National Interest: 'Fixerpreneurship', September 1, 2012, goo.gl/HX9ubg; 'Dirty business', December 11, 2010, goo.gl/1GG7Y; 'Wireless wimps', February 21, 2004, goo.gl/mRgtZk). The UPA will soon be history, so that alibi will also disappear. It will do nothing to repair the popular image of corporate India. Ten years back, several opinion polls showed Anil Ambani as the number one youth icon of India and Ratan Tata is the permanent icon of philanthropic corporate India. Today, nobody in Delhi is feeling sorry for them; some may even be celebrating as their power distribution companies are being jerked around. At the same time, Anil Ambani's older brother was being celebrated as the man who discovered India's own Gulf of Mexico along its eastern seaboard, the man to solve India's enormous energy problems. Today, there isn't a whimper of protest as a totally frivolous and arbitrary FIR is filed against him, one Central cabinet minister and one former minister. Companies in the private sector that make up more than half the market cap are facing one kind of criminal investigation or the other. Wait till the virus spreads. Maybe J. Jayalalithaa files an FIR against P. Chidambaram, Parkash Singh Badal against Jagdish Tytler and Kamal Nath, and Mulayam Singh Yadav against Beni Prasad Verma.

The political class, however, will look after itself. It's the corporates who need to be careful. They cannot repair the damage done to their image by spending a little more on corporate social responsibility. They need to embrace the equivalent of what your doctor would call lifestyle changes. You cannot flaunt the sexiest cars, homes, rocks, gulfstreams and yet claim that you are too broke to repay your loans. Let me put this simplistically: it is like saying I cannot pay my EMI but I can take you for a ride on my snazzy jet, to a champagne and caviar party on my giant yacht, these are my "personal" assets, liabilities sit in my balance sheet, go rend that. Indian business has to return to basics, corporate governance and ethics to redeem its image. In my straightforward if rude view, Indian capitalism will not come of age unless some of the most visible loan defaulters are not taken to the cleaners. One is still buying the most expensive IPL players, another was hanging on to his franchise and the third is buying mansions and hotels around the world. India's corporate leaders have to put their hands up and take responsibility. They can start with handing out Rajagopal a sentence of excommunication, if not something worse than that.