

## Republic of Shame

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(I)

Welcome to the Republic of Shame where people in positions of authority exercise absolute control, sans any accountability, over citizens' lives with power to destroy individuals, their reputations and their families, to watch over molestation and rapes of helpless minor girls entrusted to the State's care, to implicate innocent individuals in fabricated cases to send them to jail, or to grant free license to fraudulent individuals running sham financial institutions to fleece the nation. Republic of Shame guarantees them lucrative positions, monetary and other rewards and continued gratification after retirement. I invite you on a tour through a few of the numerous by-lanes of shame in this Republic.

The first leads us to Muzaffarpur in Bihar, the land of the Buddha, to a State-funded shelter home called "Balika Grih" ran by an NGO - "Seva Sankalp Aur Vikas Samiti", where 34 minor girls were dehumanized, brutalized and systematically raped night after night for years after drugging or whipping them. But for a report prepared by the Tata Institute of Social Sciences, the abuses perpetrated daily by the owner of the NGO - a highly connected Brajesh Thakur - and his accomplices, would never have come to light. Since May 2018 when the case had shocked the nation into revulsion 11 people have been arrested including Thakur, and his beaming face while being escorted by police after arrest testifies to the glory of the Republic of Shame. The shelter home used to run an operation theatre where girls who became pregnant after sexual abuse were forced to undergo abortions. Bihar's Social Welfare Minister, Manju Verma had to resign after media reported intimate links between Thakur and her husband, who used to visit the home regularly.

Brajesh Thakur was an astute powerbroker who knew how to manipulate the levers of power using money, muscle and media power- he owned three newspapers. His NGO ran five centres including the "Balika Grih", all of them funded by the Bihar Government's Social Welfare Department, the annual grant being of the order of Rs one crore. It was the Department's duty and responsibility to see that the shelters were run properly, but like the proverbial monkey, the Babus closed all their eyes and ears and kept on releasing the grants. One Babu, an Asstt Director, even defended his silence by pleading helplessness against the system even while having the knowledge of these despicable activities, apparently to protect his job and family. To silence his conscience, he took to writing poetry. The poetry-starved country has of course gained a poet, but many of the 34 hapless girls have lost their ability to speak, and are permanently traumatized.

They will carry the indelible scars for as long as they live, because the people who were paid by the State to ensure their welfare and protection, and to see that the shelter homes were safe places for them, failed utterly to discharge their duties.

Any civilized society would hold them accountable for criminal negligence and punish them severely, but not the Republic of Shame. The fact that such dreadful atrocities were going on for such a long time under their very eyes also makes them complicit in these acts. A Minister has now been forced to resign temporarily, and five lower-rank officials, Asstt. Directors, have been suspended as scapegoats, sure to be reinstated in due course. But what about the welfare department officers who had reportedly inspected the shelter some 60 times and found nothing amiss, the members of the state and District Child Protection Committees including the DM and other senior officers of the Department, who failed to exercise due oversight? The Republic of Shame does not recognize the word “accountability”, so they will continue to get their promotions, plum postings, and in due course, fat pensions. They will live a life of glamour and affluence, and who bothers if a few dozen brutalized girls live their lives in utter hopelessness, misery and trauma? In any case, what is their life worth after all?

Let us proceed next to the “God’s Own Country”, Kerala. Here at Thiruvananthapuram, in October 1994, Mariam Rasheeda, a Maldivian student, was arrested allegedly for obtaining secret drawings of ISRO rocket engines for selling to Pakistan. Next month, Kerala Police followed up by arresting the highly respected space scientist, Nambi Narayanan, Director of ISRO’s Cryogenic Project along with D. Sasikumaran, Deputy Director, and K. Chandrasekhar, the Indian representative of the Russian space agency Glavkosmos, with which India had a collaboration agreement, besides a labour contractor and another Maldivian woman. In the media, the Kerala Police planted a fanciful story alleging that Narayanan and Sasikumaran had been honey-trapped in a sex racket by the Maldivians who extracted secret ISRO papers from them. Since they were privy to the sensitive secrets, the scandal rocked the nation.

In Kerala Police custody, they were tortured brutally for extracting confessions. Mr Narayanan does not want to recall that torture because “I really collapsed from it. I will break down reliving that torture, even though it happened 18 years ago. They inflicted physical, mental, every kind of torture that you can imagine. They threatened that they will bring my son, my wife, my daughter, and beat them up unless I accept what they are saying.” The Interrogating Officers plucked Chandrasekhar’s beard with pliers while raining blows upon his face, while threatening to torture his wife and mother. They spent the next 50 days in jail before being released on bail in January 1995. Even the Maldivian women were not spared from torture; they continued to languish in jail till 1998. The people who ordered the arrest, inflicted the torture and framed the charges included S Vijayan, Inspector, Special Branch, Siby Mathews, DIG (Crime), head of the

Special Investigation Team that was set up, K K Joshua, DSP, and IB officers Matthew John and R B Sreekumar.

CBI subsequently took over the investigation and filed a report in April 1996 unambiguously stating that the espionage case was false without any evidence at all to back the charges, whereupon the Court discharged all the accused. In May 1998, the Supreme Court (SC) finally dismissed the case and discharged all the accused. CBI's closure report had also recommended disciplinary action against the rogue police officers which the Kerala Government refused, which Mr. Narayanan challenged in the SC. In September 2018, the Supreme Court awarded Rs 50 lakh compensation to 76-year-old Mr. Narayanan for being subjected to mental cruelty in the ISRO spy case. Referring to the harm caused to the scientist's reputation because of the case, the SC said that the "reputation of an individual is an inseparable facet of his right to life with dignity", fundamental to Article 21. The order further said, "there can be no scintilla of doubt that the appellant, a successful scientist having national reputation, has been compelled to undergo immense humiliation. The lackadaisical attitude of the State police to arrest anyone and put him in police custody has made the appellant to suffer the ignominy...The Court cannot lose sight of the wrongful imprisonment, malicious prosecution, the humiliation and the defamation faced by the appellant".

Mr. Narayanan has finally been vindicated, but consider the consequences of the false spying charges levelled against a reputed scientist by these senior cops. Having perfected the PSLV, ISRO was exploring ways to develop the more powerful GSLV to hoist payloads to the geosynchronous orbits in which a cryogenic engine was required to power the rocket, and in 1994, ISRO launched a project for this with Narayanan, who had a distinguished career at ISRO with expertise in liquid propulsion, at its head. With his incarceration, the Indian Space Programme got delayed by several years, if not decades. As Sasikumaran says, "national interest has been sacrificed because of someone's thoughtless, stupid actions. It is not just a few individuals who have suffered because of these actions. The whole country has suffered. The Indian space programme got delayed by so many years." Sasikumaran had retired, having lost his enthusiasm and creativity. Mr. Chandrashekhara lived the life of a recluse and died recently in Bengaluru, a pauper, unable even to settle the hospital bills.

The SC also set up a committee under a former SC judge to "find out ways and means to take appropriate steps against the erring" police personnel. But going by the Republic's impeccable past records, there is little hope that the cops, who are happily retired now and enjoying their highly deserved pension, will be penalised. In any other governance system with a semblance of accountability, their pensions would be forfeited, court-ordered compensation recovered from them, besides making them pay for destroying lives and reputations of respectable innocent

scientists, and for compromising national interest, but in the Republic of Shame, they will be safe. And honoured.

## (II)

Let us now visit the showpiece of the Republic of Shame, Mumbai, to the headquarters of a group Company called Infrastructure Leasing & Financial Services (IL&FS). Some, like columnist Anil Dharkar, call the IL&FS as “Internal Looting and Fraud Syndicate”. In September, the nation learnt with amazing disbelief that the group was reeling under outstanding debt of a whopping Rs 91,000 crore, to repay which it was planning to sell its assets. Of the total debt, Rs 57,000 were owed to Public Sector Banks (what else?).

Another September precisely 10 years ago, the world’s financial markets had come to the brink, when a certain Lehman Brothers, with \$639 billion in assets and \$619 billion in debt and 25,000 employees worldwide, had filed for the largest bankruptcy in history, throwing the entire financial world into a turmoil the kind of which world has rarely seen before. Within a week, Merrill Lynch sold itself to Bank of America for \$50 billion and Federal Reserve had to provide emergency bailout funding of \$85 billion to the insurance giant AIG, which had trillions of dollars in mortgages worldwide, to avoid a collapse of the global banking system. Goldman Sachs and Morgan Stanley, two of the Wall Street’s largest investment banks, followed suit - seeking the FED's protection to become commercial banks. As the contagion spread, panicky investors withdrew a record \$144.5 billion in a single day on September 17, as against only \$7 billion during a typical week. On September 26, the Washington Mutual Bank went bust and three days later, the US Stock Market crashed as the Congress rejected the \$700 bail-out plan submitted by the Treasury, which it had to pass eventually to prevent a potential collapse of the entire global financial network.

Till that fateful week in September, people believed that financial wizards of these organisations had conjured up a new era of low risk profits, and that American-style financial engineering was the ultimate road to prosperity for the entire world. IL&FS also made us believe that it was the ultimate in the Indian infrastructure financing and its formula was infallible, based on an impenetrable financial edifice.

The CEO of Goldman Sachs used to take a salary of \$68 million. The IL&FS CEO, Mr Ravi Parthasarathy, took Rs 26.3 crore (\$3.65 million) after giving himself a 144% rise in 2017-18 when the crisis was looming large and bankruptcy was staring at his face. He stepped down in July on “health grounds”, and the Company started defaulting in its loan repayment from August. By early September, its earlier investment-grade “AAA” rating was downgraded to D - “Junk” grade - by the rating agencies ICRA, CARE and Brickwork. Incidentally, fees of the agencies were paid by the client, but nobody, including the regulator RBI, noticed the obvious conflict of interest.

The auditors, M/s Deloitte Haskins & Sells, never detected anything amiss; their fees were also paid by the company. RBI ordered a special audit only in September, when the crisis had erupted in full force, and the market regulator SEBI also started looking at the role of the rating agencies in September only. ICAI has also instituted an inquiry into the auditors' lapses only now.

Mutual funds were rattled the impact of the default. As panicky investor started pulling out from NBFCs and Mutual Funds, the money, debt and stock markets stumbled and crashed on September 21, with Sensex losing more than 1000 points. Government finally stepped in on October 01, dismissed the entire IL&FS Board and appointed a new six-member Board under the chairmanship of Mr. Uday Kotak. When "a systematically important institution", as the IL&FS has been described by the RBI, shows signs of falling, the shocks reverberate through the entire system and if it fails, chances are that the whole system would fail. With 60% of IL&FS's borrowings being in non-convertible debenture not backed by any assets or security and subscribed mostly by pension, insurance and provident funds, in other words, savings of the poor and middle class, the Government of course cannot allow it to fail. Like the AIG, IL&FS will have to be bailed out, as usual with taxpayers' money. Notice the uncanny similarity between what happened in Wall Street in 2008 and Dalal Street in 2018? Trajectory of greed to disaster is the same everywhere; one only hopes the contagion now may not be as severe as then, but the stock and money markets have been on a roller coaster ride ever since, compounded by the rupee being on a tailspin, to which it is also contributing. For IF&LS and its Board, it has been a systematic, organised loot of the nation, *via* an elegant innovative modus operandi that would put the financial crime thrillers into shame.

IL&FS was incorporated in 1987 with 40% shareholding by the public sector (LIC, SBI and Central Bank) to finance infrastructure projects in the PPP mode. It claims to have financed projects worth about Rs 1.8 lakh crore. Actually it gold plated these projects to raise huge loans from public sector banks, charged enormous commissions as project management fees that escalated the cost of these projects, and using the links of ex-bureaucrats it employed with gracious compensation, raised finances by cunningly projecting itself as a Government Company which it was not. In fact it engaged in plain fraud under the very eyes of the people who were supposed to regulate it. It acquired projects through Special Purpose Vehicles (SPVs) set up jointly with the state or central governments while giving the government less than 51% equity so as to avoid the scope of CAG's audit and to launder public money at will. In this way, it set up a web of 169 group companies (there probably are many more) including 135 indirect subsidiaries – each corresponding to an SPV for a specific project, besides six joint ventures and four associate companies. The structure of group companies thus created was extremely opaque and murky. Partnering with the government in these projects, it gave its lenders a false impression that the risks would be underwritten by the government. Thus the subsidiaries, despite having a narrow equity base, could raise huge loans through no-holds-barred wheeling dealings, and in this way,

on equity capital of only ₹9.83 crore, IL&FS accumulated a mammoth Rs 91,000 crore debt, some of it being infused into their associate companies as equity. The debt-pyramid continued to rise until it collapsed under its own weight. Again nobody noticed or raised a red flag, including the nominees of public sector organisations in its Board or bureaucrats in the Government.

One of its projects, touted as a model, with guaranteed returns of 20 % to equity investors including IL&FS, was the 8-lane Delhi-Noida expressway, which was executed by the SPV, Noida Toll Bridge Company on land provided by the Government on a 30-year lease. Not only did the Company make huge profits on the toll, it manipulated the lease to extend it to 100 years. Since all costs plus reasonable profits had already been recovered by 2016, well before the lease was to expire in 2031, Allahabad High Court stopped all toll collection in 2016, which was later confirmed by the Supreme Court. Similar pattern of profiteering was successfully applied in many states, like Gujrat, Tamil Nadu, Rajasthan or Andhra Pradesh, to rob the public and the public exchequer. Gajendra Haldea, a former Planning Commission member, recalls an instance when a similar SPV called Delhi Mumbai Industrial Corridor Corporation (DMICDC) was set up jointly with the Dept. of Industrial Policy and Promotion (DIPP) for developing 24 industrial townships on this corridor, with an unsuspecting DIPP Secretary as Chairman and showing Udyog Bhavan as the address to make it appear like a Govt. company for raising loans. The project did not take off because of resistance from the Planning Commission which caught the fraud.

Being involved in the Infrastructure Sector, IL&FS was engaged both in lending as well as executing of projects. No one again noticed the conflict of interest inherent in this dual role. Like in the case of Satyam, auditors from the reputed firm never pointed out the fraudulent modus operandi. Neither the Board members nor the independent directors which included such illustrious names as R C Bhargava, Chairman of Maruti Suzuki or Sunil Mathur, Chairman of LIC, ever red-flagged the multiple conflicts of interests and the shady dealing of the Company with its subsidiaries. The rating agencies were even more complicit in the entire sordid saga, and the loot was allowed to go on unhindered.

These agencies and individuals, Board members and Mr Parthasarathy, certainly owe serious explanation to the nation. If they are found lacking in their duties, they ought to be punished, irrespective of their positions and status. But the Republic of Shame ensures their lifelong immunity from any consequence of their failure to discharge their responsibilities, which affect millions of investors and take millions of taxpayers' money. Countless such incidents of shame happen every moment each day, and the national conscience, frozen into indifference by their brazenness, refuses to be mortified. The Republic of Shame will live long.