

OFFICE OF THE LEADER OF OPPOSITION

Gujarat Vidhansabha, Gandhinagar.

Press Note

Dt. 10-02-2010

- **Leader of Opposition, Gujarat Assembly, Shaktisinh Gohil exposes 14,296 crore scam in GPPC divestment deal**
- **SWAN ENERGY doled out undue benefits in a shady manner: Gohil**
- **Involvement of Chief Minister and officials from GSPC, Energy department and Chief Minister's Office in the Carbon Credit scam.**
- **Through an investment of mere Rs 381 crore, Swan Energy will take away Rs 14,296 crore.**
- **Share worth atleast Rs 260 given away to Swan Energy for just Rs 37**
- **Swan Energy will get annual carbon credit benefit of Rs 1200 crore for ten years.**
- **Swan Energy has no experience in the field of energy. Its balance sheet is weak.**
- **Present rate of electricity which is Rs 2.50 per unit will escalate to cost Rs 3.50 a unit.**
- **Swan Energy has share of 49 percent in the GSPC power company, but it has share of 70 percent in carbon credit.**

In a dubious deal, the Gujarat government has sold 49 % equity holding of Gujarat State Petroleum Corporation (GSPC) subsidiary Gujarat Pipavav Power Limited (GPPL) to Mumbai based Swan Energy Limited for just Rs 381 crore. It is worth noting that the state government preferred to divest its interests from GPPL ahead of proposed IPO of GSPC.

The dishonest deal values GPPL at only about Rs 778 crore while it is commissioning 702 MW of gas based power generation capacity. GPPL has plans to ramp up this capacity to 1050 MW subsequently. Besides this, GPPL has been roped in by the state government to convert three of its power plants from coal to gas and garner precious carbon credit. Interestingly, Swan Energy with 49% of equity in GPPL will get rights over 70% of the carbon credit as per the agreement with GSPC. All this has been offered to Swan Energy in a covert deal without inviting competitive bids from much more eligible entities engaged into power sector with proven track record.

The dubiousness of the deal is evident from the fact that the state government promoted listed company Gujarat Industries Power Company Limited is valued at

over Rs 1,500 crore. It is despite of having installed generation capacity of just 560 MW. Market valuation of GIPCL is higher since it is being determined by the market forces without interferences of corrupt politicians and courtier bureaucrats. The state government inked the GPPL deal in a hush hush manner before the GSPC IPO. This political decision which smacks of unprecedented level of corruption has been done to avoid public glare and stakeholders' scrutiny.

What lies in the deal is the avarice and the most brazen, unthinkable and wicked conspiracy hatched at the highest level of the government to defraud the state and public of Gujarat.

A look at the annual results of Swan Energy available in the public domain shows that it has suffered operating losses from 2005 to 2008, has no material consumption in 2008 and 2007 and has material consumption of less than an average of Rs 1 crore in 2005, 2006 and 2005, reports no payment of salaries and wages in the years 2005, 2006 and 2007 and 2008 while has a modest out go of Rs 12 lakh in 2009, has not paid any excise duties from 2005 onwards but has huge 'other expenses'. All these indicate that the financial records of the company are nothing but forgeries and made up.

In effect, hitherto unknown Swan Energy does not have the capacity to pay for 49% equity of the GPPC and need to raise funds purely on the basis of windfall it expects from the largesse the government of Gujarat has now bestowed on it through the virtual grant of free equity in one of its blue chip companies and the huge recurring and undeserved income it will get through the unwarranted grant of 70% of the carbon credits accruing to GPPC.

The power project of GPPC is nearing completion and according to the official version of the Gujarat government, issued recently, the power project is scheduled to be commissioned in December 2010. This means the technology was finalized long ago, loans tied up, financial closure achieved, environmental clearance obtained, fuel linkage established and long term power sale agreement executed with buyers. There is nothing regarding the project to which Swan Energy would provide any inputs, even assuming it had the expertise for it. In this scenario, the Gujarat Government's decision to 'donate' GPPL to Swan Energy on nearly a platter smacks of dirty designs of the Narendra Modi government.

Even the entitlement for carbon credits is intrinsic to the technology and the fuel used and is not dependent on the participation or contribution of Swan Energy. Hence inviting Swan Energy to the equity of GPPC is simply a devious and dastardly and most dishonest means of transferring public wealth for private benefit, this being the latest of a series of such measures which the energy

department under the control of the chief minister has perfected into consummate art form. This decision of the Gujarat government is likely to cost the state exchequer Rs 14,296 crore over the next 10 years. Besides Gujarat Chief Minister, the Chief Minister's office, energy department and GSPC officials are involved in this murky operation of giving away Gujarat's public wealth to a private player.

There are three major factors which go to establish that the introduction of SEL as an equity holder of GPPC is a scam of unprecedented proportions. There is complete departure from established procedures for divestment of equity in undertakings of the government at abnormally low price.

Moreover, the state government's generosity does not stop there. It went on to transfer other monetary benefits without any consideration through assignment of 70 % of carbon credits accruing to the project.

The current value of carbon credit is 20 euros per unit. This means every Carbon Credit (CER) would fetch 20 Euros which would mean Rs. 1300 (considering the euro-Rupee rate of 1:65). The economic value of CER entitlement signed away to SEL by this crooked deal comes to a staggering amount of Rs 1200 crore a year considering 13.2 million units of CER would be accumulated out of which SEL would walk away with 9.24 million units(that is 70% of the total cer0.

This imprudent business deal raises several questions beginning with the basic one. Even by conservative estimates, Swan energy will comfortably garner benefits to the tune of rs 14,296 crore these benefits to Swan for a meager 381 crore? And this does not include 49% dividend swan energy promotes would take home from the power generation business.

The Gujarat Governments Energy department and GSPC in particular have a long history of picking up dubious entities and making them billionaires over night. All deals are kept under wraps . Chosen officers who are pliant and capable of complicity are 'managed" and kept in strategic positions for inordinately long periods, cajoled and induced by various methods to commit illegal acts and then to defend.

Questions Gujarat government needs to answer are

- **Why was the equity divested with a competitive bidding process?**
- **What was the basis of valuation of GPPL @ Rs 778 crore**
- **On what grounds was the SEL selected?**
- **What are the terms of agreement between GSPC and SEL?**

THIS DEAL SHOULD BE SCRAPPED IN THE INTERST OF PEOPLE OF GUJARAT.