

## Outlook

### Finally, Shashi Tharoor Made to Quit

PTI | NEW DELHI | APR 18, 2010



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COMMENTS

Shashi Tharoor tonight resigned as Minister of State for External Affairs after the high-level Congress Core Group decided that he should quit in the wake of controversy over the IPL Kochi franchise, capping a week-long drama that threatened to suck the government and the party into it.

54-year old Tharoor, a newcomer to politics from international diplomacy, was summoned by Prime Minister Manmohan Singh to his residence late tonight and asked to tender his resignation.

"Shashi Tharoor, Minister of State for External Affairs has submitted his resignation from the Council of Ministers to the Prime Minister today. The Prime Minister has forwarded his resignation letter to the President with a recommendation that it be accepted," PMO spokesman said tonight.

President Pratibha Patil has accepted the resignation.

Tharoor, a writer and a former Under Secretary General in the United Nations, earns the dubious distinction of becoming the first minister in UPA-II to go under the cloud of corruption charges.

The continuance of Tharoor, a first time MP from Thiruvananthapuram who courted controversies throughout his 11-month stint, became untenable in the government ever since the IPL controversy exploded.

He got into serious problems after IPL Commissioner Lalit Modi revealed that Tharoor's friend Sunanda Pushkar had equity stakes in Rendezvous Sports World (RSW), heading the consortium that owns the Kochi team.

It was later disclosed that Pushkar got sweat equity of the value of Rs 70 crore from RSW following which the opposition had been gunning for his removal on the ground that it was misuse of office for pecuniary gain.

That Pushkar today offered to surrender the sweat equity and to quit RSW failed to convince the Congress top brass which met at the residence of the Prime Minister in the evening to finalise its strategy before Parliament resumes tomorrow after the week-end.

Singh, who met Gandhi one-on-one before the Core Group discussions, consulted her again before recommending the resignation to the President.

Tharoor's meeting with the Prime Minister in the night was the second during the day. He met him at noon to explain his side of the story.

Indications that he was on his way out came when Tharoor went to the Prime Minister's residence at night in a private car without the beacon light. Throughout the day, he avoided the media.

The Core Group meeting discussed continuance of the minister in the wake of the controversy.

First Gandhi met Singh one-on-one before the Core Group discussions. Tharoor, whose removal has been demanded by the Opposition on grounds of corruption, had met Singh at noon to give his side of the story.

The decision came a day after the Prime Minister returned from his eight-day visit to the US and Brazil where he had said that he would take necessary action after getting all facts of the controversy.

Tharoor made an attempt to clear his name by denying the allegations that he had any role in getting equity stakes for Pushkar. He also made a statement in Parliament but opposition would have none of it.

That the Congress also was not convinced with his explanation finally forced his exit. In the last two days, Tharoor had met Sonia Gandhi and Finance Minister Pranab Mukherjee and Defence Minister A K Antony separately in a bid to convince them about his innocence.

The Congress leaders are understood to have given their views at the Core Group meeting that sealed his fate in the ministry.

Party sources said Gandhi was unhappy over the entire development and leaders felt that Pushkar's offer to return the sweat equity amounted to admission of guilt.

The Core Group is also believed to have discussed the damage wrought by the controversy to the government and the party and that a decision should be taken in a way the party could face Parliament.

Parliament was paralysed on Friday with the opposition demanding his resignation. It had also given enough hints that it would continue to rock Parliament on the issue if Tharoor was not sacked.

## IPL scam

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The Indian Premier League (often abbreviated as IPL) is a professional league for Twenty20 cricket competition in India. It was initiated by the Board of Control for Cricket in India (BCCI). The scam is complicated to an extent that makes us doubt if IPL itself was created for money laundering.

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BCCI officials involved

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- [Lalit Modi](#), IPL Commissioner

Politicians involved

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### **Sharad Pawar family**

[Sharad Pawar](#) and his immediate family held over 16% equity in one of the bidders for an IPL cricket team. The Pawars own 33.6 lakh shares (out of 2.07 crore shares) in City Corporation, a Pune-based construction company which bid Rs 1,176 crore for a franchise in March. The Pawar family's shares are held through two companies, Lap Finance and Consultancy Pvt Ltd and Namratta Film Enterprises Pvt Ltd, which are 100% owned by the NCP supremo and Union agriculture minister, his wife Pratibha and daughter Supriya Sule.

Interestingly before the details emerged, Pawars claimed as miles away from IPL and bidding.

### **Shashi Tharoor**

IPL Commissioner Lalit Modi revealed that Tharoor's friend (later his wife) Sunanda Pushkar had equity stakes in Rendezvous Sports World (RSW), heading the consortium that owns the Kochi team. It was later disclosed that Pushkar got sweat equity of the value of Rs 70 crore. Shashi Tharoor maintained that the amount had nothing to do with his active campaigning and mentoring for the Kochi team. This was less convincing as he had specifically mentioned that he had no specific gains from RSW winning Kochi Franchisee.

The Prime minister Manmohan Singh later demanded his resignation.

### **Praful Patel**

Praful Patel was accused of meddling in the auctioning of the franchisees.

Corporates and celebrities involved

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- Multi Screen Media or Sony Entertainment Television
- World Sports Group
- International Management Group
- Raj Kundra
- Shahrukh Khan

- Preity Zinta

#### Broadcast deal

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In 2008, WSG bagged IPL television rights for 10 years with a USD 918 million bid and a promise to spend USD 108 million on the event. It also signed a deal with MSM making Sony the official broadcaster. However, two months before IPL-2, the deal was scrapped. It was recast with MSM agreeing to pay USD 1.63 billion for nine years.

According to I-T sources, MSM agreed to pay WSG's offshore company in Mauritius a "facilitation fee" of 7.5 per cent of the IPL contract, which is around USD 80 million. On April 14, 2009, MSM remitted, from the Development Bank of Singapore to WSG USD 15.3 million and on June 26, 2009, USD 10.276 million in two separate installments.

#### Match fixing

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Income Tax investigation report into match-fixing angle in the IPL revealed Lalit Modi has interests in three teams. The report goes on to name Samir Thakral as front for Lalit Modi whose phone records show conversations with bookies. Serious investigations were on into possible match-fixing and betting in IPL Season 2 which took place in South Africa. The entire investigation now seems to be honing in on IPL 2. Income Tax investigation wing has filed a confidential report to the finance ministry.

Several IPL players could have been involved. There were indications that phone conversations have also been recorded and that possible questioning of IPL players could happen in this regard.

#### Money laundering

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IPL is a major source for some individuals or parties to bring that money from Swiss banks to India for utilize it in investing in various business firms. NRI, Non resident Indian play an important role in this conversion. If we analyze the owners of IPL teams , then we can see huge NRI presence in shareholders. As per laws in India, an NRI can bring tons of money through his account to invest in India without any barrier or using some simple formalities. Mauritius is top among these because an investing NRI in Mauritius can bring huge amount of money from any Swiss Bank account to their operating account in Mauritius. Then the NRI transfer the money to India through his/her NRI bank account in India and invest in Indian business firms. Due to this IPL became an easy way to turn "BLACK MONEY" to "WHITE".

The Income Tax department had received financial details of more than Rs 150 crore in overseas accounts from some tax haven countries of "non-residents" who invested in the IPL. The information regarding investments and remittances to the tune of about Rs 150 crore in IPL media rights has been received from British Virgin Islands and Mauritius.

#### Rajasthan Royals

Lalit Modi was accused as having silent stake in Rajasthan Royals.

The Enforcement Directorate had started enquiry about the FEMA violations. Suresh Chellaram from Nigeria, mentioned as "co-brother-in-law of Lalit Modi" who controls 25 per cent of the team, allegedly fronting for Modi. Chellaram is said to own 44.15% stake in EM Sporting Holding, Mauritius, through Tresco International Ltd based in British Virgin Islands. UK-based Manoj Badale who is alleged to be a Modi-aide, owns 32.4% through Emerging Media.

Lachlan Murdoch, son of media baron Rupert Murdoch, owned Hong-Kong based Blue Water Estate, holds 11.7%. Bahamas-based Kuki Investments which is owned by Kundra family (Shilpa Shetty's in laws) holds another 11.7% stake in EM Sporting Holding, Mauritius. Rajasthan Royals is owned by Jaipur IPL Pvt Ltd, which is a wholly owned by EM Sporting Holding, Mauritius. Rajasthan Royals is apparently owned by Emerging Media Pvt Ltd, partly controlled by one Cayman Island Company and controlled by three different groups. Manoj Bedale, who has a UK entity called Agylsis, Mumbai Education Trust in Mumbai and Ranjit Thakre ex-ITC employee.

Rajasthan Royals were terminated by BCCI for alleged malpractices and ownership issues, but they could get a stay on the termination.

### **Kolkata Knight Riders**

Shahrukh Khan was questioned by Enforcement Directorate for his involvement in money laundering and black money deals in his franchisee. It has turned out that there are many proxy owners to his franchisees, and links to Mauritius based companies have also come to light. The share transactions by Shahrukh allegedly was done flouting SEBI guidelines and Foreign Exchange Regulations Act.

At the time of incorporation in February 2008, Red Chillies Entertainment Pvt Ltd — the entertainment company run by Khan — held 9,900 shares of KRSPL and his wife (the nominee of Red Chillies Entertainment) held 100 shares, during the financial year 2008-09, the shareholding in the franchise changed. On March 31, 2009, a Mauritius-based company, The Sea Island Investment Ltd, was listed as having 50 lakh shares and film star Juhi Chawla Mehta as getting 40 lakh shares of the total 2 crore shares. The remaining 1.1 crore shares remained with Red Chillies Entertainment.

Financial transactions details gathered by the ED — which is robbing several other IPL teams as well — show that KRSPL received an amount of \$13.18 lakh (Rs 6.06 crore) from Sea Island Investments, which is owned by Juhi's husband, Jay Mehta, in its Citibank Mumbai account. Of this, Rs 1.06 crore was remitted back to the company on March 14, 2009. The allotment of shares to Sea Island Investments was made on March 7, 2009 at the rate of Rs 10 per share.

The ED has evidence to show that the shareholding of the franchise changed yet again on March 10, 2010, as Juhi Chawla Mehta sold her entire stake of 40 lakh shares to Sea Island Investments thus splitting the ownership of KRSPL between the Mauritius company and Khan along with his wife, Gauri Khan.

### **Cheergirls**

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According to a highly confidential income tax source, several high-class known (within Bollywood circles) call girls who call themselves actresses or models and C-grade actresses and models were allegedly hired or enlisted by a certain personality and his cronies — now under investigation by a myriad of agencies — within the IPL to provide sexual gratification to clients, sponsors, benefactors and patrons.

CNN IBN, Headlines Today and Times Now reported that the IT department is investigating and looking into the monies paid to cheer leaders and others who added the glam component. The IT sleuths want to know who hired them, who paid them and how much was paid to them and for what kind of services. It has also come out that many of them were paid huge amounts in cash — something that a body like the IPL should have never done.

According to Flynn Remedios, author of the yet-to-be published IPLgate – the mother of all Indian cricket scams, Apparently, it transpires that certain “cheer leaders” and glam dolls or sex dolls were paid far more than what any one would have paid a cheer leader.

## Investigation

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A multitude of agencies started investigation at the start of the scam. Nothing more to be heard

Modi's big IPL dream turns into ugly scam

April 22, 2010 13:35 IST

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With its cocktail of celebrities and cheerleaders, the Indian Premier League's [ [Images](#) ] dizzy rise to become cricket's richest tournament is under threat, illustrating how politics and business don't mix.

A scandal over Junior Foreign Minister Shashi Tharoor [ [Images](#) ] accused of influencing a bid for a team has sparked a tax investigation into the estimated \$4.1 billion sport franchise, also signalling the inherent risks in the Asian giant's corporate juggernaut.

It is a scandal that touches much of India, including some of Bollywood's top stars who became team owners, senior politicians as well as some of India's richest executives who have all wanted a piece of the pie since the tournament kicked off in 2008.

"Like much of corporate India, the attitude behind IPL was with globalisation, liberalisation, we can take on the world," said Paranjay Guha Thakurta, a well-known commentator in India.

"But the IPL has not been transparent. It has become big business, but a rather murky big business ... and shown the very cosy ties between very rich businessmen and politicians."

Lalit Modi [ [Images](#) ], a 46-year-old businessmen known for his flashy suits and love of the high flying celebrity circuit, formed IPL in 2008, a short form of cricket that won millions of dollars in advertising and upset much of the traditional cricket world.

It was a by-product of an emerging India, when local companies like Tata bought brands like Jaguar and Land Rover [ [Images](#) ] for \$2.3 billion to reflect the self-confidence of Indian business as it enjoyed one of the world's fastest economic growth rates.

Such was IPL's success that some team franchises were sold for more than the value of English Premier League football teams.

The tax probe has so far revealed nothing but huge newspaper headlines, and Modi says he has nothing to hide as taxmen visit offices around the country with cameras and lights in tail.

But whatever the results of the investigation, few in Indian believe that tournament will be the same freewheeling business extravaganza, and Modi is now under pressure to resign.

#### AT THE CUTTING EDGE

The IPL was at the cutting edge of cricket from day one when its use of cheerleaders sparked initial outcry as conservative India questioned whether it was ready for dancers with bulging breasts and gyrating bellies parading in packed stadia.

Modi himself called it all "cricketainment" – with Bollywood stars watching matches in seats costing as much as \$1,000 a game in a country where half the population earns less than \$2 a day.

"IPL can be seen as a metaphor for the new Indian middle class which thrives on excess," wrote commentator Ronojoy Sen in the *Times of India* [ [Images](#) ].

Modi showed that "Can Do" attitude on which Indian business people pride themselves – the ability to deal with the country's notorious red tape, corruption and poor infrastructure.

When security concerns and a general election threatened the second year of the tournament, Modi simply transferred the whole event to South Africa [ [Images](#) ] in a few weeks.

"Forget Modi's brashness for a moment. There is an underlying admiration for Modi in India – the fact that he could get through the red tape and get things done," said V Ravichandar, managing director of Feedback consulting in Bangalore, which advises multinationals on doing business in India.

"That kind of thing goes down well in the Indian street."

But any admiration may not save the IPL. After Modi tweeted questioning the role of Tharoor in a team's \$333 million bid, the minister was forced to resign.

India's tax department suddenly announced a probe into Modi and the IPL – in what many saw in India as a blatant use by the government of tax authorities to win political points.

The political ramifications widened.

Suddenly key Congress party coalition ally and farm minister Sharad Pawar [ [Images](#) ] was on a collision course with his own government after he infuriated Congress by initially supporting Modi.

Pawar is president elect of the International Cricket Council [ [Images](#) ] and former head of the Indian cricket board – just one of many politicians in India who also run cricket boards.

The tension came just as the government was seeking to secure its allies support for a possible vote in parliament over high food prices. The government would fall if it loses the vote.

Few think the government will fall. But the fact that a tweet from a businessman sparked worries about the government's coalition strength a few days later showed the nexus between business and politics in India – and the fragility of both.

"The IPL was about getting things done despite everything," said Ravichandar. "It is a spirit of Indian enterprise with all the risks that it entails that holds a mirror to ourselves."

<http://www.rediff.com/cricket/report/modis-big-ipl-dream-turns-into-ugly-scam/20100422.htm>

#### **IPL scam: IT Dept gets finance details**

**The Income Tax department has received financial details of more than Rs 150 crore in overseas accounts.**

The department had few months ago approached an exclusive cell in the Finance Ministry dealing with the subject, as it wanted to establish the money trail of investments by various IPL franchises in its ongoing investigations into the foreign funds in various editions of the T20 cricket tournaments.

The information regarding investments and remittances to the tune of about Rs 150 crore in IPL media rights has been received from British Virgin Islands and Mauritius while similar details are awaited from some other tax haven countries, sources in Finance Ministry said.

The information received from these countries will qualify as good piece of information and evidence under the provisions of both the Prevention of Money Laundering Act and Foreign Exchange Management Act which are being probed by the I-T department and the Enforcement Directorate, they said.

There is an intricate share holding and investments pattern in the various franchises which have routed the money in the IPL through tax havens and remitted money in companies there, they said.

The I-T department has also written to the Reserve Bank of India (RBI) seeking information on the foreign investments brought by all the IPL franchises and while the ED is checking violations under the Foreign Exchange Management Act (FEMA).

The bid documents reveal huge funding by NRIs in various IPL franchises. But the documents do not reflect the entire financial details of these individuals, they said.

The Foreign Tax Division in the Finance Ministry looks into the tax liabilities and evasion by non-residents and foreigners in respect of both the countries under the agreements.

The Income Tax department had collected voluminous documents related to bidding, payment of taxes and various other financial details during its countrywide survey of various IPL franchises.

The first such operation was conducted on April 15 at the BCCI and IPL premises, including the office of suspended IPL Commissioner Lalit Modi.

<http://www.espnstar.com/cricket/indian-premier-league/news/detail/item514931/IPL-scam:-IT-Dept-gets-finance-details/>