

Malvinder and Shivinder Singh and the 'missing' funds of a billion-dollar empire

The Indian Express reviews various allegations raised over the last year of diversion of funds previously held by the ex-promoters of Fortis and Ranbaxy.

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Former Fortis promoters Malvinder and Shivinder Singh.

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Daiichi Sankyo's ongoing contempt case against former Fortis Healthcare promoters Malvinder and Shivinder Singh in the Supreme Court has once again highlighted the brothers' financial woes. Once leaders of a flourishing, billion-dollar empire, the Singhs now seem to be struggling to pay a \$500-million arbitration award to Daiichi for allegedly concealing information regarding wrongdoing at Ranbaxy, sold to the Japanese drug maker in 2008.

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The apex court last week reserved its verdict on whether the Singhs violated its 2017 orders not to part with unencumbered Fortis shares, earlier expected to be used to help pay this award. The case took a darker turn last year, when allegations of illegal diversion of the Singhs' funds surfaced, some even by the brothers against each other. Yet, the question still remains—where did the money go?

Singh vs Singh

Lawyers for the Singhs had in 2016 and 2017 verbally assured the Delhi High Court that there were sufficient funds to satisfy Daiichi's award. Yet, hearings in 2018 raised questions about these assurances. Soon after, a public rift arose between the Singhs, with each brother blaming the other for the family's financial situation.

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Shivinder, the first to "break" his silence through a statement in September 2018, blamed elder brother Malvinder for "oppression and mismanagement" of Fortis, Religare Enterprises and holding company RHC Holding, controlled by both brothers. In a petition at the National Company Law Tribunal (NCLT) that month, he alleged Malvinder colluded with ex-Religare chief Sunil Godhwani to take out funds totalling over Rs 1,200 crore through inter-corporate deposits (ICDs) and loans from Fortis Healthcare and a Religare Enterprises subsidiary to pay back creditors. He alleged such actions resulted in value loss to RHC "far in excess" of the amount loaned and had put it and several of the brothers' companies in a "debt trap".

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"For two decades now, Malvinder and I, Shivinder Mohan Singh, have been

synonymous with one another. Though the fact is, I have all along been the publicly supportive younger brother to Malvinder's chairmanship of the group, who took decisions on behalf of the family," Shivinder said in his statement. He later withdrew his NCLT petition citing his mother's insistence that the issue be resolved by mediation.

In March this year, Shivinder further alleged in an affidavit to the Supreme Court that the value of unencumbered assets available to satisfy Daiichi's award, including RHC's stake in Fortis Healthcare Holding, eroded due to the Japanese company's own "repeated" court applications objecting to any of the Singhs' proposed talks to sell Fortis. RHC held stake in Fortis Healthcare through Fortis Healthcare Holding.

In his 2018 statement and the NCLT filing, Shivinder said he took "public retirement" in 2015 to serve in spiritual organisation Radha Soami Satsang Beas (RSSB) and that, until October 2017, he was "not involved in the strategic operations" of companies like Religare or RHC.

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"The deponent (Shivinder Singh) humbly makes his position clear before this honourable court that the deponent is not and at all material times was not in control of the entities against whom any contempt is alleged," his March 2019 affidavit states.

Yet, it is Shivinder's involvement with RSSB that Malvinder alleges is the main cause of the depletion of the Singhs' wealth.

The 'Baba' Factor

Earlier this year, Malvinder filed a complaint with the Economic Offences Wing (EOW), pointing fingers at his younger brother and RSSB spiritual head, Gurinder Singh Dhillon, for causing "wrongful loss" to him and

shareholders of RHC Holding.

Malvinder's affidavit filed in the Supreme Court this year claims over Rs 6,000 crore in loans and advances are to be recovered from "various individuals and entities belonging/controlled/linked to a few major companies and individuals, not a party to the arbitral award". These include companies like Prius Real Estate and Prius Commercial Projects, Sunil Godhwani as well as the RSSB head himself, it alleged.

Shabnam Dhillon, Gurinder Singh Dhillon's wife, was a director in Prius Real Estate and Prius Commercial Projects until August 2016, shows the Ministry of Corporate Affairs (MCA).

"I say that these loans and advances have become due, however, due to the differences within the family, the recovery process for the same has been blocked... In order to further strengthen the recovery process, I have even initiated criminal proceedings against some of the borrowers who owe money to the judgment debtors before the Economic Offences Wing," read Malvinder's affidavit.

His EOW complaint alleges that Shivinder, along with Sunil Godhwani and Dhillon, conspired to "siphon" money from RHC and settle the Dhillon family's debts and dues by absorbing them in RHC. This includes an alleged plan by the younger Singh to take over six companies, including Modland Wears, Best Healthcare and Fern Healthcare, "without initiating any financials and legal due diligence". The EoW complaint further alleged that the six companies in question had extended loans exceeding Rs 1,000 crore to the Dhillon and Godhwani family.

Modland, Fern and Best — in which the MCA says Shivinder is a director — were involved in "fictitious and fraudulent" transactions of over Rs 400 crore withdrawn from Fortis through ICDs, according to the Sebi.

Malvinder claimed his younger brother signed a "family settlement" with

Dhillon agreeing to “absolve” him of “any wrongdoing whatsoever and agreeing that no liabilities or legal proceedings or criminality would be attributable” to the RSSB chief under any circumstances.

Furthermore, Daiichi in 2018 alleged that the brothers had siphoned funds through a complex “web of companies”, to render its award, now valued over Rs 3,500 crore, a “mere paper decree”.

The Colour of Money

In October last, Daiichi rushed to the Delhi High Court asking it to attach properties of several companies currently not a party to its ongoing case against the Singhs. Its lawyers alleged in court that the siblings, via companies controlled by them, were routing funds to downstream companies that further used the funds to settle debts of land-owning companies. Over Rs 2,500 crore was diverted this way, they alleged.

“Show me the colour of money,” Daiichi’s senior lawyer often told the high court during proceedings to enforce its award. The Japanese firm had constantly moved court since 2017 to block the Singhs from closing a deal for Fortis while it was still under their control and has argued they have no intention to pay up, despite submissions by the brothers stating otherwise.

Daiichi, in its application to the high court last year, claimed that respondents ANR Securities, RHC Holding, Ranchem and “Malvinder Singh, as trustee of Bhai Hospital Trust”, “hold and control” Prius Real Estate, in which they infused funds through debentures. According to the company, the book value of debentures held by these four entities in Prius Real Estate amounted to Rs 1,429.50 crore.

In a separate application, it alleged that the Singhs used their jointly-owned entity, Shimal Healthcare, to divert funds through preference shares and debentures and that the brothers, through “fraudulent conduct”, diverted an “enormous sum” of Rs 1,407.33 crore to entities in the Shimal group.

Shimal had been used to siphon "large amounts of monies" to various entities related to the Singhs, including Fern, Best and Modland, which further routed the funds to other entities, alleged Daiichi. Parts of several charts submitted by Daiichi in court have been reproduced in this article. "It is an undeniable fact that a large sum of money to the tune of several thousand crores has been extended to various group entities. This is a clear act of fraudulent diversion and/or siphoning of funds," Daiichi alleged, adding that the Singhs were operating "through a web of companies to shield their assets."

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Queries sent to Malvinder, Shivinder, Gurinder Singh Dhillon and Sunil Godhwani remained unanswered by late Sunday.