Podcast | Digging Deeper: The Singh brothers and the saga of Fortis

On this edition of Digging Deeper with Moneycontrol, we listen to the ballad of the bhais that went bust. The saga of the Singh brothers.

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From Sun Tzu in The Art of War to George R.R. Martin in A Game of Thrones, human ambition, greed and ego have been the preoccupation of philosophers, writers, and storytellers for as long as stories, and indeed, humans have existed.

Tzu could have been warning plotters of little and big deceptions when he wrote, “Let your plans be dark and impenetrable as night, and when you move, fall like a thunderbolt.”

"Fall," here does not necessarily mean gloriously like a lightning bolt on an enemy but also has the kind of connotation that the feuding Singh brothers of the once glorious Ranbaxy empire now are associated with. Fall, as in, from grace.

As Martin said famously, "The things we love destroy us every time."

The question though is just what did the Singh brothers love so much that it impelled them to go on and destroy the credibility of the very edifice they had built.

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A brief timeline

Quartz, in early 2019 carried a piece about one of the many feuds the two brothers were embroiled in where the elder of the duo, Malvinder Singh, reportedly filed a criminal complaint against brother Shivinder, with whom he once, yes, as we all know, ran the pharmaceutical giant Ranbaxy Laboratories.

The piece spoke among other things about the complaint registered with the economic offences wing of the Delhi Police where Malvinder claimed that Shivinder, Gurinder Singh Dhillon—the spiritual head of the Radha Soami Satsang—and others committed financial fraud and sent him death threats. He also sought Rs8,742 crore ($1.2 billion) as compensation.

The complaint also claimed that Shivinder had manipulated finances because he aspired to the status of a spiritual head within Dhillon's organisation.

Now, here is the twist even George R.R. Martin could not have anticipated: that one of the brothers in the messy mix wanted to use the spoils of his jointly shared empire to fund his spiritual aspirations? Does that add up? Not really, but then chaos rarely ever does.

As the piece reminds us and we quote, "there was a time the Singh brothers were counted among India's most revered entrepreneurs. Since then, though, they have allegedly squandered Rs22,500 crore, stepped away from Fortis Healthcare–once the country's largest hospital chain–and given up their stake in one of the largest non-banking financial companies, Religare Enterprises."

And here is how their universe spiralled into darkness. And we quote the Quartz piece verbatim.

2008: In June, Japanese drugmaker Daiichi Sankyo acquires a 34.8% stake in Ranbaxy at a valuation of $2.4 billion. Then, in November, marking one of India's biggest acquisitions, Daiichi Sankyo completes the takeover of

Ranbaxy from the founding Singh family in a deal worth $4.6 billion. It ends up with a 64% stake in the company.

September 2009: The US Food and Drug Administration bans a slew of Ranbaxy drugs from the US, citing manufacturing deficiencies discovered at several plants in India.

May 2013: The brother-duo pleads guilty to selling adulterated drugs with intent to defraud, failing to report that drugs didn't meet specifications, and making intentionally false statements to the government before a US court. They agree to pay $500 million in fines and penalties.

December 2013: US inspectors find a human hair embedded in a tablet in Ranbaxy's plant in Mohali, Punjab. An "import alert" is issued until all its methods, facilities, and controls are in compliance.

April 2014: Daiichi Sankyo sells the India unit of Ranbaxy to homegrown firm Sun Pharmaceutical Industries in an all-stock transaction at an enterprise value of $4 billion. The company is delisted from Indian stock exchanges.

May 2016: The Singapore International Arbitration Centre orders the Singh brothers to pay $500 million for concealing information when Ranbaxy's shares were sold to Daiichi back in 2008. The authority slaps a Rs 2,563 crore fine on the brothers. They challenge this ruling.

January 2018: The Japanese company moves the Delhi high court to enforce the arbitration award announced by the Singapore tribunal. Meanwhile, the brothers are accused of siphoning off money from a New York-based investor. They allegedly took 21 loans for a number of seemingly independent companies to then route at least $300 million back to privately held Singh firms on the same day.

February 2018: The Delhi high court rules in favour of Daiichi Sankyo, asks Singh brothers to pay up Rs3,500 crore–up from 2016's Rs2,500 crore-plus figure because of the added interest and legal fees.

The founder-director duo quit Fortis Healthcare amid the unending legal battle with Daiichi. They stepped down from the board of financial services firm Religare Enterprises for the same reason.

March 2018: Daiichi Sankyo asks the Enforcement Directorate (ED) to probe allegations that Malvinder and Shivinder siphoned money off Fortis Healthcare and Religare Enterprises.

September 2018: Shivinder formally dissociates himself from his brother and former chairman of Religare Enterprises, Sunil Godhwani. He then drags them to India’s quasi-court for corporates—filing a petition before the National Company Law Tribunal (NCLT)—alleging that decisions by Malvinder and Godhwani led to a systemic undermining of the interests of the companies and their shareholders.

However, the same month, Shivinder withdraws the petition at his mother’s behest.

December 2018: In a video, Malvinder accuses Shivinder of assaulting him.

A few weeks on, Religare Enterprises files a criminal complaint with the Delhi Police’s economic offences wing against Malvinder, Shivinder and Godhwani, for cheating, criminal breach of trust, misappropriation, fraud and forgery and criminal conspiracy.

Things Fall Apart

In February 12, 2018, in another Quartz piece titled, "India’s Singh brothers: How to make and break a fortune in 10 years," Sriram Iyer wrote, how just ten years ago, the Singh brothers were the posterboys of India’s booming pharmaceutical industry.

The story also traced the timeline of the fall and recalled just how fame peaked for Malvinder Mohan Singh and Shivinder Mohan Singh in 2008 when they sold their stake in generic drug maker Ranbaxy to Japan's Daiichi Sankyo for a whopping $2.4 billion.

Since then it's been a rollercoaster ride, but really, actually, just a steep, steep slide.

The piece recalls a January Bloomberg report that refreshed our memory about how the Singh brothers fell from grace. We quote to once again read the fine print of this rather convoluted tale, "The promoters of financial services firm Religare Enterprises allegedly siphoned some $300 million to their privately-held firms. They are also alleged to have funnelled out $78 million from hospital chain Fortis Healthcare. This follows the high court order for the Singhs to cough up Rs3,500 crore ($550 million) to Daiichi Sankyo for allegedly luring the Japanese drug maker into a deal by withholding information.

On February 8, the billionaire brothers stepped down from the Fortis Healthcare board, which reportedly decided to distance itself from the promoters' legal battles as they were hurting the firm's performance. Besides, banks were hesitant to extend even working capital loans to a company associated with the brothers.

In November 2017, Malvinder stepped down from Religare Enterprises—and both he and Shivinder exited the board, making way for a professional management.".

But things were not always so dysfunctional. Ranbaxy embodied the success of India's generic drugs industry and valued at $4.6 billion at the time of its sale in 2008, the company had put India on the global pharma stage.

The beginning

The piece traces the roots of this story in pre-independence India in Amritsar, Punjab.

Ranbaxy, informs the piece, got its name from two cousins, Ranjit and Gurbax, who started a drug distribution firm in 1937. But things did not go swimmingly well because after failing to repay a loan, the two, informs the writer, had to forego their company in 1947 to a businessman, Bhai Mohan Singh, who had come to Delhi from Rawalpindi in Pakistan following Partition.

So it was Bhai Mohan, who in fact turned the company around with the best selling drug Calmpose, in 1961.

His son, Parvinder Singh, made the company go international, by setting up plants abroad.

It was following the demise of Parvinder in 2000, that Malvinder and Shivinder decided to move the company beyond safe shores.

Shivinder, says the piece, was still in his first year of MBA, at Duke University in the US, when his father succumbed to cancer.

Then it was the brothers that took over the running of the company, in the process even scaling new heights. The fall was to come not too long after.

We quote, "Malvinder and Shivinder, too, sold Ranbaxy at its peak. Just days after the deal, Daiichi got a rude shock from the US drug regulator in the form of an import ban on Ranbaxy, citing poor quality of its drugs. Daiichi sued the Singh brothers in 2013 and sold Ranbaxy to Sun Pharma in 2014. By then, though, the Japanese company had lost Rs6,000 crore, according to one estimate. The Singhs’ downward spiral may have begun after the Daiichi deal, but they had kicked up enough dust even on their way up. From a whistleblower’s account that led to the US ban to the brothers’ alleged connection with the Clintons, they seemed to tide over all headwinds. But then, that was 10 years ago."

The mudslinging continues to this day with the brothers appealing in the Indian supreme court against the high court verdict favouring Daiichi. As the piece says, "They might fight back other charges, too, and the final word may be a few years away. But the stain on their success story is here to stay. The alleged siphoning of funds, in particular, may lead to a wider probe. Market regulator Securities and Exchange Board of India is already examining the issue.

Once renowned for their business acumen and deal-making skills, the Singh brothers today are being subject to scrutiny and litigation, besides derision, in the companies they once owned."

Business Today published a piece in April 11, 2019 to once again recall how the trouble for the brothers began with the implementation of the $500 million arbitration award that Singh brothers were ordered to pay Daiichi Sankyo in 2016. Besides, the siblings are caught in a financial mismanagement case in entities owned by them, including FHL and Religare Enterprises (REL), we are retold but then that we are already aware of.

Incidentally Chief Justice Ranjan Gogoi had previously made abundantly clear, the Singh brothers may be looking at jail time, if found guilty of violating past court orders.

More trouble in store

The unexpected thread in this story is that nearly Rs 2,700 crore from the Ranbaxy proceeds have been allegedly routed to entities owned by Gurinder Singh Dhillon's family. Dhillon is the spiritual head of Radha Soami Satsang Beas and the money was routed allegedly to companies associated with senior Radha Soami Satsang Beas (RSSB) functionaries over three years. Of that, Rs 2,000 crore was invested in two firms, Prius Real Estate and Prius Commercial Projects.

Separately, says the piece, Rs 1,750 crore wad invested in Religare Enterprises (REL) and about Rs 2,230 crore in Fortis - again from the Ranbaxy proceeds - to fuel their growth. All these turn out to be fatal mistakes.

We quote, "The money transferred to Dhillon and associates - estimated to be between Rs 4,000-6,000 crore, with interest, depending on who you ask - remains unpaid to the Singhs. The rapid and reckless expansion spree that REL and Fortis embark on lands them in a debt trap when the slowdown hits in 2009. That's the beginning of a vicious cycle of mortgaging assets and equity in group companies to raise loans to pay off their previous liabilities."

Add to that the stain of disrepute following Daiichi's case against the brothers at the Singapore International Arbitration Centre for fraud, alleging that the duo had concealed and misrepresented critical information relating to the FDA investigations while negotiating the deal.

As those following this story know, in January 2018, the Delhi High Court upheld the decision by the Singapore arbitration tribunal (and subsequently the Supreme Court, too).

And of course, in February 2018, Malvinder and Shivinder resigned as directors from Fortis Healthcare's (FHL) board, following the Delhi High Court order. They also exited from the REL board.

Cut to now

In February 2019, Malvinder, narrates the piece, filed a criminal complaint against Shivinder, the Dhillon family as well as the Godhwani kin - Sunil and Sanjay (who headed loss-making REL subsidiary Ligare Aviation). In the complaint filed before the Economic Offences Wing he seeks Rs 8,742 crore owed to him by the alleged accused.

Weeks later, India's apex court summoned the Singh brothers to personally appear in court in connection with the contempt plea filed by Daiichi.

We quote, "Meanwhile, FHL Chairman Ravi Rajagopal asks SEBI to order the arrest of the Singh brothers for non-compliance with its interim order. Two months previously, the watchdog in its interim order had directed the company along with Fortis Hospitals to take necessary steps to recover Rs 403 crore that the Singh brothers, among others, diverted for the ultimate benefit of parent company, RHC Holding, and Religare Finvest."

The piece picks up the pieces of this narrative again to inform that the top court on March 14 asked the Singh brothers to come up with plans to pay the $500 million arbitration award to Daiichi within two weeks.

We quote, "The next day, SEBI orders Religare Finvest and its parent REL to recall loans worth over Rs 2,315 crore that were diverted to the Singh siblings - who were among the promoters of REL at the end of December - and 21 other entities. Less than a week later, SEBI confirms its interim order directing FHL and Fortis Hospitals to recover Rs 403 crore.

Towards the end of the month, the Economic Offences Wing (EOW) of Delhi Police booked the Singh brothers on the charges of cheating, criminal conspiracy and breach of trust . The FIR was filed on the complaint of Religare Finvest, which has already filed bankruptcy proceedings.

In April 2019, the bench announced that it will straightaway hear Daiichi's contempt petition on the date of the next hearing, April 11, and will send the brothers to jail if found guilty."

The 'missing' funds of a billion-dollar empire

The Indian Express' Prabha Raghavan on April 15, this year reviewed various allegations raised over the last year of diversion of funds previously held by the ex-promoters of Fortis and Ranbaxy.

The biggest fall out has been the public rift, says the piece, between the

Singhs, with each brother blaming the other for the family's financial situation.

We quote, "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"."

Shivinder stated and we quote again, "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."

He later withdrew his NCLT petition citing his mother's insistence that the issue be resolved by mediation.

In March this year, informs the IE piece, 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.

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

Oh Baba whattodo?

Shabnam Dhillon, Gurinder Singh Dhillon's (the 'Baba') 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.

We quote, "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”. 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."

A financial black hole

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.

We quote, "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.”

In a Live Mint piece, former minister Kapil Sibal said something interesting and we quote, "Their nearly ₹6,300 crore has been siphoned off by some 'baba'. These children have been duped.''

However as multiple news sources have implied, there was nothing innocent about any of the players.

Fresh evidence shows that Shivinder was not only directing crucial decisions in the group, but was also drawing salary from two group companies.

Evidence available with Business Today suggests that Shivinder had never dissociated from the group.

Though in his affidavit before the court, Shivinder had claimed retirement from corporate life in September 2015 and a move to a spiritual ashram to devote his time and energy to what he called was a full time charitable service. He had also claimed that he had resigned from all executive positions and voluntarily asked to be removed from all committees of Fortis.

However, documents in possession of Business Today suggest that in the period January 1, 2016 to September, 2017 when he said he was not involved with the affairs of the group as he claimed to be in 'full time charitable service', he was in fact drawing a salary from group firms ANR Securities & Ranchem.

We quote, "Shivinder's Form 16 submitted to the Income Tax Department suggests that he drew a gross salary of Rs 21.75 lakh per month each from the two subsidiaries of RHC Holding - the group holding firm. Together, the two firms paid him Rs 9.12 crore in the period January, 2016 - September, 2017 as gross salary and Rs 5.9 crore as net post-tax salary during the period of 'retirement'.

Besides, multiple documents suggest that, far from retirement, Shivinder was deeply involved in the group's affairs, directing deals, advising board meetings and schedules and often intervening in discussions, even leading them at times."

Down and dirty

As Forbes' Megha Bahree reported, the ongoing sibling slugfest between Malvinder and Shivinder Singh has returned yet again with a new round of allegations.

We quote, "Malvinder Singh, former chairman and managing director of Fortis Healthcare, has filed a criminal complaint against Shivinder, among others, alleging they had made death threats and committed fraud. Apart from his younger brother, Malvinder has leveled his accusations at Gurinder Singh Dhillion, a spiritual guru they follow, and a few of his family members as well as the former chairman of Religare Enterprises, Sunil Godhwani.

In the complaint, Dhillon stands accused of threatening to kill Malvinder if he failed to agree to his demands, as per the news report. It was not clear exactly what those demands were. This is the first time that Malvinder has publicly accused the family's spiritual guru of impropriety. The rift between the brothers became public when Shivinder formally disassociated himself from his brother who he blamed, along with Godhwani, for problems at the group."

Hard to remember, isn't it that the brothers once helmed a fortune once valued in excess of $2 billion and could have built the kind of legacy that the founders had envisaged when they first founded a small but ambitious company.

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