

Topic: Bargain like a Baron

Topic
Introduction

There is an uncanny similarity between **Sahara Group chief Subrata Roy** and **UB Group chairman Vijay Mallya**. Both of them are in deep financial trouble, scraping the bottom of the barrel to put an end to the misery they have landed themselves in.

Sahara, who recently completed his second year in Tihar jail, is fighting hard to raise the bail money amount of **Rs 10,000 crore**. He reportedly deposited **Rs 4,000 crore** with market regulator Securities and Exchange Board of India (SEBI), even as he put up his hotels in India and the US for sale to make up the balance. His lawyers recently told the Supreme Court that **Rs 17,000 crore of the Rs 30,000 crore** raised from investors without Sebi's approval has already been returned. If and when out of jail, Sahara's battle to refund the balance will continue.

Mallya is faced with a similar challenge, but of a relatively lesser magnitude. He asked for one-time settlement with the banks, with an offer to pay up **Rs 4,000 crore of the Rs 9,000-crore** Mallya (and his companies) owes **the 17-member consortium of banks**, by September 2016. This consortium led by the State Bank of India said it will examine this offer.

One of Mallya's most valuable and liquid assets today is his **8 per cent stake in beer maker United Breweries**. This, at the current market value, is worth around **Rs 1750 crore and according to stock exchange disclosures, 98 percent of this is already pledged**. Mallya also owns real estate assets in India, Europe and the US. Liquidating some of these and honouring the Rs 4000 crore deal, at least on paper, seems plausible.

If the banks do accept this deal, the bigger worry then is not just about collecting what Mallya promised to pay, but setting **precedence for other willful defaulters** who may expect a similar deal. Despite all the similarities, there is one crucial difference between Sahara and Mallya, at least from the lenders' point of view. **Sahara is in jail and Mallya is outside the country** negotiating from a safe distance.

Just a day after a consortium of banks led by State Bank of India **refused to accept a partial payback of a total of Rs 9,000 crore** he owes to the banks, Vijay Mallya is one of the **500 Indian names found in the infamous 'Panama Papers'**.

The report published says details accessed by the newspaper from the International Consortium of Investigative Journalists (ICIJ) website reveal that the leaked papers name a **British Virgin Islands firm named Venture New Holding Limited** which is linked directly to the liquor baron, Vijay Mallya.

These leaks were essential to establish Mallya's link to the company as another shell company owned by Mallya and operated as the nominee share holder. UK's Financial Conduct Authority (FCA) had shared information about Venture New Holding and other offshore entities owned by Mallya with SEBI. Supreme Court bench of Justices **Kurian Joseph and R F Nariman** asked for Mallya's personal presence before the court. Mallya had left the country before the banks moved the Debt Recovery Tribunal. The liquor baron was termed as a **willful defaulter in November 2015 by State Bank of India**.

Present Situation of Vijay Mallya:

The **suspension of Vijay Mallya's diplomatic passport** by the Ministry of External Affairs, within a week of his failing for the third time to heed an Enforcement Directorate summons to appear in connection with a money laundering probe, is a prompt and appropriate step. The Directorate had repeatedly sought his personal presence and, in the face of non-compliance, **wrote to the MEA seeking revocation of the passport**. The Ministry, which has given the liquor baron a week's notice to explain why the official travel document should not be revoked or impounded, should increase the pressure on him to return to India and face the law of the land. As a sitting member of the Rajya Sabha — he is due to retire on June 30 — and as someone who portrays himself as the victim of a campaign of calumny and **asserts that he has neither the intention nor any reason to abscond**, it is appropriate that he submit himself to due process. At its last hearing, the Supreme Court had given him time until April 21 to clarify when he would appear before the court. Regardless of his dim view on the merits of the allegations against him, Mr. Mallya still has to discharge his liabilities, which the banks that have lent to his companies have quantified at about Rs.9,000 crore. He also has to answer the Central Bureau of Investigation's charge that the **Rs.900-crore loan Kingfisher Airlines** had taken from IDBI Bank involves money-laundering; it is in this connection that an open-dated, **non-bailable warrant against him** was issued by a special court in Mumbai.

Some Important Points regarding Panama Leaks:

Panama Papers: The Panama Papers are set of leaked documents which show how law firm **Mossack Fonseca** helped clients launder money, dodge sanctions and evade tax with offshore accounts. However, offshore accounts do not by default indicate illegality. The investigation into the papers was carried out by the **International Consortium of Investigative Journalists (ICIJ)**. The leak is said to be one of the biggest ever and shows links to 72 current or former heads of state in the data, including dictators accused of looting their own countries.

The group, a roster of the rich and famous, includes billionaire property baron **Kushal Pal Singh**, recipient of the Padma Bhushan, among India's highest civilian awards, Vinod Adani, brother of billionaire **Gautam Adani** and billionaire real estate magnate **Sameer Gehlaut**. The list boasts a touch of **Bollywood glamour with veteran actor Amitabh Bachchan** and his daughter-in-law Aishwarya Rai Bachchan, a former Miss World, featuring on it.

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<http://www.dnaindia.com/money/report-finding-buyer-for-sahara-s-assets-is-as-difficult-as-finding-buyer-for-mallya-s-house-kapil-sibal-2195570>

<http://www.scoop.it/t/news-and-analysis/p/4061052202/2016/03/12/good-times-fade-for-vijay-mallya-as-they-did-for-subrata-roy>

www.moneylife.in/article/sahara-no-money-no-worry/39378.html