Fresh legal hurdle for IHH's Fortis buy

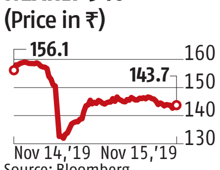
Top court holds Ranbaxy's former promoters Malvinder, Shivinder guilty of contempt

ARI ALTSTEDTER & UPMANYU TRIVEDI
Mumbai/New Delhi, 15 November

The Supreme Court refused to remove a barrier to the takeover of embattled hospital chain Fortis Healthcare by Malaysian operator IHH Healthcare Bhd, the latest twist in one of the most contentious corporate sagas.

The court held Fortis' founders Malvinder Singh and Shivinder Singh guilty of contempt of court and said it could start similar proceedings against the company, according to a judgment on Friday. This effectively halts IHH's open offer to Fortis shareholders that would have brought its holdings in the hospital company above 50 per cent. IHH is already Fortis' largest shareholder with 31 per cent stake.

FORTIS STOCK DOWN NEARLY 9%
(Price in ₹)



Source: Bloomberg
Compiled by *BS* Research Bureau

Fortis shares fell close to 9 per cent in Mumbai, the biggest drop since March 2018. IHH is awaiting the written judgment from the court and will thereafter "consult its advisers for its next course of action," according to its spokesman. Fortis didn't immediately respond to an email seeking comments.

The court said contempt proceedings have been initiated against Fortis for violation of its December 2018 order to maintain status quo on the deal with IHH. Daiichi had argued that certain transactions between IHH and Fortis violated the court's directions.

Also named in the contempt verdict was Indiabulls Housing Finance, the lender that accepted Singh brothers' Fortis shares as collateral and then seized them when they failed to repay. This went against an earlier judicial order that had forbid the Singh brothers from selling or diluting their shareholding in Fortis. To avoid penal action, Indiabulls can deposit the proceeds from the sale of founders' pledge shares in Fortis while Singh brothers and their two holding companies can pay up ₹1,170 crore ($163 million) each. The court has set February 3 as the next hearing date.

The SC said it could also start contempt procedings against Fortis, founded by Malvinder Singh (*right*) and Shivinder Singh

Fortis, at its end, now will have to prove that it has not violated any court orders and can request that the open offer be allowed to go through, in future hearings. It can also seek review of the verdict by the same court bench or pay a fine to avoid penal action.

The block comes just as IHH's efforts to turn around Fortis' fortunes through cost-cutting was starting to show results. It will hobble the company's attempt to move past a scandal in which it was allegedly defrauded of millions of dollars by its founders. The Singh brothers are no longer shareholders in Fortis.

IHH's attempt to become Fortis' majority shareholder was halted last year, when Japanese drugmaker Daiichi Sankyo contested the deal as part of its efforts to recover $500 million from the Singh brothers.

Daiichi Sankyo said that it had been promised some Fortis shares by the Singhs in a decade-old fraud claim, before the shares were seized by the brothers' creditors.

BLOOMBERG

Malvinder Singh sent to ED custody

PRESS TRUST OF INDIA
New Delhi, 15 November

A Delhi court on Friday sent Malvinder Singh and former CMD of Religare Enterprises Sunil Godhwani to the ED's custody till November 18, for allegedly misappropriating funds of Religare Finvest (RFL).

A duty magistrate sent both accused to the Enforcement Directorate's (ED's) custody in a proceeding held inside the Tihar central jail. ED special public prosecutor Nitesh Rana sought a 14-day custody of Singh and Godhwani.

However, the court directed the agency to produce them before the court concerned on Monday.The ED had arrested Singh and Godhwani in the money laundering case on November 14.

The agency took both the accused in its custody inside the Tihar central jail here, where they were lodged in a case filed by the Delhi Police in relation to the alleged scam. Both Singh and Godhwani are accused of laundering money, punishable under sections 3 and 4 of the Prevention of Money Laundering Act, the ED said.

Alibaba confirms HK listing worth $13 bn

AFP/PTI
Hong Kong, 15 November

Chinese technology giant Alibaba on Friday confirmed plans to list in Hong Kong, in what it called a $13-billion vote of confidence in the turbulent city's markets and a step forward in its plans to go global.

The enormous IPO, which Hong Kong had lobbied for, will come as a boost for authorities wrestling with pro-democracy protests that have tarnished the financial hub's image for order and security and hammered its stock market.

The company will offer 500 million shares at a maximum of HK$188 apiece

Alibaba will offer 500 million shares at a maximum of HK$188 apiece, the company said. The number eight is considered auspicious in China.

Over-allocation options could take the total value to more than $13 billion, making it one of the biggest IPOs in Hong Kong for a decade after insurance giant AIA raised $20.5 billion in 2010.

Alibaba had planned to list in the summer but called it off owing to the city's long-running pro-democracy protests and the China-US trade war. The US and China are now working on sealing a partial trade deal.

Daniel Zhang, Alibaba Chief Executive Officer, said the group wanted to "contribute, in our small way, and participate in the future of Hong Kong". "During this time of ongoing change, we continue to believe that the future of Hong Kong remains bright," he said.

The firm's shares are already traded in New York. A second listing in Hong Kong is expected to curry favour with Beijing, which has sought to encourage its current and future big tech firms to list nearer to home after the loss of companies such as Baidu to Wall Street.

In the statement, Zhang said that when Alibaba went public in 2014 it "missed out on Hong Kong with regret".

Mainland authorities have also stepped up moves to attract such listings, including launching a new technology board in Shanghai in July.

The listing comes after the city's exchange tweaked the rules to allow double listings, while CEO Carrie Lam had also been pushing Alibaba's billionaire founder Jack Ma to sell shares in the city.

Jet resolution: Synergy seeks time

ANEESH PHADNIS
Mumbai, 15 November

Synergy Group has sought time till February to submit its resolution plan for Jet Airways, dashing hopes of an early revival. The airline's lenders will meet next week to consider the request. Synergy, the sole contender to revive the grounded carrier, had time till Friday. However, it has sought more time as it wants clarity on securing airport slots in India and London.

"The group is engaged with Jet management and the resolution professional. It is also looking to secure slots at London Heathrow airport which can be critical for airline revival. The lenders will have to find merit in the request and take a call on extending the deadline," said a person aware of the development.

The group's founder German Effromovich had visited India in September to discuss revival plans with civil aviation ministry and resolution professional Ashish Chhawchharia.

Jet's resolution professional has admitted creditor claims of over ₹14,000 crore

Some experts, however, see liquidation of assets as the only option now, given the challenges and delays in revival. The airline's resolution professional has admitted creditor claims of over ₹14,000 crore. Synergy group will also have to find a strong Indian partner to co-invest in line with foreign investment rules in aviation.

The National Company Law Tribunal (NCLT) had in its June order had instructed for completion of resolution process in 90 days given the importance of the matter.

The NCLT's Mumbai Bench had refused to take cognisance of a Dutch court, which too initiated insolvency proceedings against the airline. However the appellate tribunal set aside the NCLT order and allowed the Dutch administrator to take part in the committee of creditors meetings.

Under the Insolvency and Bankruptcy Code, a resolution plan must be completed in 180 days. A one-time 90-day extension can be permitted. Lenders can decide on liquidation of assets even prior to completion of six months deadline and that requires final approval from the insolvency court.

IndiGo, GoAir get more time to fix P&W engines

DGCA gives airlines time till November 24

Aviation regulator DGCA has extended the deadline for modification of Pratt & Whitney (P&W) engines, powering A320neo planes of IndiGo and GoAir.

In the wake of multiple incidents involving P&W engines in recent times, the Directorate General of Civil Aviation (DGCA) had given certain deadlines to the two airlines for carrying out changes to their P&W engines.

"... as the task is onerous and availability of such engines is an issue, we have now asked them to complete the task in a slightly modified time line i.e. November 24, 2019," the regulator said on Friday. Directives were issued by the watchdog on October 28, 29 and November 11, with regard to change of engines with modified Low Pressure Turbine (LPT).

Initially, engines of 16 A320neo planes of IndiGo were to be modified by November 12, while 13 such aircraft of GoAir by November 13. Besides, IndiGo was to modify engines of 23 A320neo planes by November 19.

"The position has been reviewed and we are happy to note that the airlines have made substantial progress with regard to the directives issued dated October 28 and 29," DGCA said.

PTI