

BHARATPE DISPUTE AND ROLE OF SIAC

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INTRODUCTION

Bharatpe is an Indian fintech business that assists small merchants and Kirana store owners. Fintech companies make financial services more accessible to the general people. The company's products include QR codes that help in paying through UPI, machines for card acceptance known as Bharat Swipe, and small business funding. The organization also provides loans which can be up to Rs. 7 lakh for the duration of 3 to 12 months. In 2020, the firm introduced Digital Gold, a new product that allows customers to trade 24-carat gold with a purity of 99.5 percent. Ashneer Grover and Sashvat Nakrani co-founded the company in 2018, and it is based in New Delhi, India. In the year 2020, BharatPe's brand ambassadors include cricketers Rohit Sharma, Jasprit Bumrah, K. L. Rahul, Mohammed Shami, Ravindra Jadeja, Suresh Raina, Shreyas Iyer, Prithvi Shaw, Sanju Samson, Yuzvendra Chahal, and Shubman Gill. Mr. Suhail Sameer was hired as the group president later in 2020. Suhail Sameer, the company's chief executive officer, made CEO in August 2021, with Mr. Grover becoming Managing Director. Ashneer Grover resigned from the firm on March 1, 2022. It all started on January 19, when an audio recording was leaked. In the tape, one party identified as Ashneer Grover is heard cursing and threatening Kotak Mahindra bank's one employee. Some experts refer to it as the "god syndrome," in which a man without any help drives a company's growth, and his ego gets the best of him, and when the plan doesn't go as planned, it destroys the individual, as Mr. Ashneer's case illustrates. Ashneer Grover was enraged because they had been promised an IPO allotment for Nykaa's initial public offering but had not received one. Mr. Grover then took a two-week vacation. The corporation opted to conduct an independent audit about a week after Grover left. There were indeed financial discrepancies, mentioned in the preliminary report presented by an international consulting firm Alvarez and Marsal, which had been appointed to look into allegations of financial fraud by one of its co-founders and Managing Director Ashneer Grover and his wife Madhuri Jain Grover.

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According to a copy of the report obtained by Business Line, the fintech firm was accused of paying recruitment fees to several 'consultants' for personnel hired through them. Employees in five of these situations acknowledged their start date as the one listed on the vendor invoice, but they had no idea they were hired or hired through the 'consultants.' According to the report, Madhuri Jain Grover is reported to have directly received invoices from vendors in three of the five instances and transferred them to the accounting team for payment. After additional investigation, the consulting business discovered that all of the bills were created by Shwetank Jain, who has been identified as Madhuri Grover's brother. At Bharatpe, Madhuri Grover was the Group Head - of Controls. Certain parallels were discovered among the invoices of numerous vendors, including the same typeface, similar types of email addresses, similar physical addresses, layouts, and some even had the same bank branches and other characteristics.

The leak of the report before its outcome raises many questions. Madhuri Jain even questioned how such a report can be leaked before its final decision. Bharatpe on 14 issued a statement informing that they are waiting for the final report. They said "we are deeply pained that the integrity of the Bharatpe board or individual board members is being questioned time and again through misrepresentation of facts and baseless allegations. The board in all its actions has followed the due best process in the best interest of the company. We would urge that the confidentiality and integrity of the governance review and board meetings be maintained by all. We request everyone, including the media, to show restraint and allow the governance review to take place thoroughly" Money control took an interview of Mr. Ashneer Grover in which he said "What am I scared of? I am the only start-up in India that has built 6 billion dollars of value by spending less than 150 million dollars. Forget the audit, forget the allegations, just put the numbers of razor pay, Paytm and CRED, any fintech which is valued higher than me, How much money have they spent and what's the value being created? So by that logic, anyone who spent more money than me has done a fraud." Also, Ashneer claimed that the board is trying to negotiate with him to take lesser money for his share in the company "If you don't need me, I don't want to make value for you either. I have created two unicorns already, I have the capacity to make three more. So make me an offer, I'll move my way, you move yours" he said. Grover attempted to remove Suhail Sameer from the post of CEO.

Grover filed an arbitration intending to protect his 9.5% stake in the company which according to the last valuation, which was done in August 2021, was 1915 crore rupees as the company's total

valuation was 2.8 billion dollars. But Grover said that he will quit the company only when he received 4000 crore rupees as he valued the company as 6 billion dollars.

A sight of financial fraud can be seen in the company even before. BharatPe's connections with non-existent merchants were uncovered following an investigation by DGGI (Directorate General of GST Intelligence) in 2021, which conducted a search operation in the company's head office on October 21, last year. At the time, the DGGI determined that about Rs 51 crore had been paid to 30 non-existent merchants. It called Bharatpe's executive in this matter on November 1, 2021, to which the firm responded by requesting that the show cause notice be waived in exchange for payment of the dues and penalties. Deepak Jagdish Ram Gupta signed the above-mentioned letter to DGGI. According to the A&M study, Gupta is Madhuri's brother-in-law. Following the DGGI investigation, Bharatpe reversed Rs 9.54 crore in input credit and paid a penalty of Rs 1.54 crore to correct its accounts. Why did Bharatpe resolve this dispute without legal aid, resulting in a loss of Rs? 10.97 crores, is one of the questions raised in A&M's analysis. A&M also warned the board that the company's transactions with 'non-existent vendors' need further examination.

Furthermore, the majority of the invoices appear to be linked to Panipat, which is also Madhuri Grover's home town. According to the books of accounts, the amount spent on such vendors in FY 2019-20 was 3.77 crores. Intending to stop the government's investigation, Asaneer Grover filed an emergency plea before the Singapore International Arbitration Centre (SIAC). The investigation that he wants to stop was about the above-mentioned financial fraud which was on the ground that this investigation violates the Article of Association and shareholders' agreement. Grover's assertions that the governance review was conducted unfairly were found to have "no merit" by the arbitration body, according to the persons. Grover's shareholder agreement did not provide "any relief whatsoever" from an internal investigation, according to the SIAC, they added. This incident has people wondering whether to trust the company or not. It will affect the company's goodwill and can have negative impacts. Let's see what the company will do till then stay tuned.