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Standard Chartered moves to PMO for backup on Winsome group, India's largest 'willful defaulter'

By [Sugata Ghosh](#), ET Bureau | Updated: May 30, 2016, 05:23 AM IST

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MUMBAI: British bank [Standard Chartered](#) (StanChart) has knocked on the doors of the Prime Minister's Office (PMO), seeking the state's help to go after [Winsome group](#), India's largest 'willful defaulter' after [Vijay Mallya's Kingfisher Airlines](#).

Winsome Diamonds and Jewellery, a [listed company](#), and group firm Forever owe Rs 6,800 crore to 15 banks in India. The lenders, led by StanChart, are yet to accept a repayment plan, spread over years.

Unwilling to buy the Winsome story — that the group could not pay back banks due to huge derivative losses suffered by clients in the Middle East — several banks, particularly StanChart, want the cooperation of regulators and law enforcement authorities in other jurisdictions, such as Dubai, Hong Kong and Singapore, to track the money trail and check the veracity of these derivative deals.

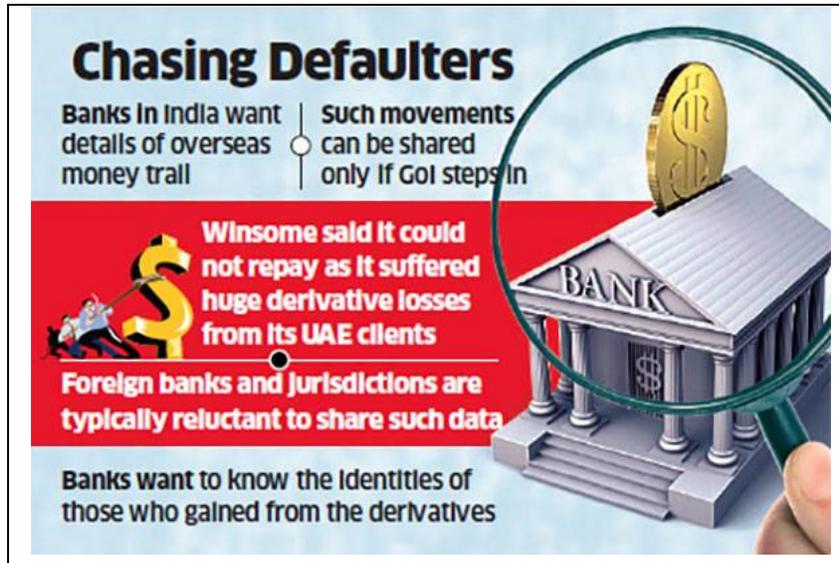
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"If at all foreign authorities agree to cooperate, the process has to be initiated by the Indian government and central agencies such as [CBI](#) and Enforcement Directorate.

Banks had earlier discussed it with the Reserve Bank of India. We believe one of the Indian agencies may have reached out to a regulator abroad," a senior banker told ET.

In a meeting with the PMO, a top StanChart official has explained the situation in which lenders find themselves. Losses booked by Winsome and Forever's clients — which are outfits owned by a Jordanian businessman — were not from any exchange traded derivatives but over-the-counter structured deals on gold and currency derivatives. Thus, information on the fund flow will be revealed only if offshore banks — which either acted as intermediaries or through which close to \$1 billion were transferred — share information.

Details on such fund movement can be obtained only if governments of respective countries are convinced about any alleged violations. Even though Winsome has

initiated legal proceedings in the Sharjah Federal Court to recover funds from its customers in the UAE, banks are keen to know the true identities and beneficiaries of entities that gained (or received funds) from the multiple derivative deals.

A StanChart spokesperson declined comment on the issue. A banker, familiar with the discussion in the consortium meeting, which was held in early May, said many banks, including StanChart, are unwilling to accept any haircut for settling the loan outstanding with Winsome because these lenders believe it's a case of willful default. "Accepting any settlement proposal at this stage would require withdrawing cases and complaints that banks have filed with investigative agencies.

Also, we don't have a clear idea on the cash-flow," said an official of a consortium bank. Winsome, said a source, may move the court in India to challenge the bank's decision to categorise it as 'wilful defaulter'.

Winsome promoter Jatin Mehta, who is related to the promoter family of the Adani Group, has been away from India for the past couple of years. He had resigned from the boards Winsome and Forever well before the companies defaulted in 2013.

Other financial institutions in the consortium are PNB (which has highest exposure), Bank of Maharashtra, Canara Bank, Central Bank, Exim Bank, Oriental Bank, State Bank of Hyderabad, Union Bank, Axis Bank, Vijaya Bank, Bank of India, State Bank of Mauritius, IDBI and Syndicate Bank.

These had issued standby letters of credit — or SBLC which are similar to guarantees — in favour of international bullion banks like Standard of South Africa, Standard Chartered London, and Scotiabank, which supplied gold to Winsome Group.

The arrangement was if Winsome failed to pay the bullion banks, Indian banks would step in to pay for the gold consignment. A default allowed bullion banks to encash quasi-guarantees.

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