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Daiichi accuses Singh brothers of concealing facts

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Singapore: The Japanese owners of Ranbaxy Laboratories, drug major Daiichi Sankyo has accused the Singh brothers, former promoters of Ranbaxy Laboratories for concealing and misrepresenting facts at the time of selling stakes in 2008.

The Japanese drug firm has said that Malvinder Mohan Singh and Shivinder Mohan Singh had concealed and misrepresented facts at the time of its $2.4 billion purchase of a controlling stake in Ranbaxy Laboratories in 2008.

Daiichi made these accusations in an arbitration case filed in Singapore, a news report clarified. The company is seeking compensation for the losses that came up from the $500 million settlement that Ranbaxy had made with the US Department of Justice in May on charges of selling adulterated drugs in the US market.

Daiichi has said soon after, on May 22 that it would initiate legal steps against the Singhs

A news report further quoted a person aware of the purchase terms who said, "It would be interesting to see the outcome of the arbitration given that Singh brothers had not indemnified the Japanese buyers for such eventualities," he said. The report added that a review of the share purchase agreement (SPA) executed on June 11, 2008, appears to indicate that this may indeed be the case.

As per the agreement, all disputes are to be resolved by the International Chamber of Commerce in accordance with commercial arbitration rules. "The arbitration proceedings and the award shall not be made public without the joint consent of the disputing sides and they shall maintain the confidentiality of such proceedings and the award," the SPA states.

Making a representation in the SPA, Ranbaxy said, "To the knowledge of the company, there is no event or situation that has not been disclosed to the buyer (Daiichi) and its representative since the accounts date and which could have a material adverse effect. For the purpose of this, the 'knowledge of the company' shall mean the knowledge of founder 1 (Malvinder Mohan Singh) without any obligation of founder 1 to make any due enquiry."