Sahara Scam – Missing Investors

Why in news?

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Very few investors in Sahara's firms have come forward to reclaim their money despite SEBI's repeated notices.

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What was the scam about?

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- 'Sahara vs SEBI' case involves the issuance of Optionally Fully Convertable Debentures (OFCD) by the two companies of Sahara India Pariwar.
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- OFCD is a type of debt security where the option is given to the bond holder to convert his debenture into equity share after certain time.
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- The SEBI had the companies to stop issuing the bonds and return the money to investors.
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- Sahara has claimed that the said bonds are hybrid products, thus does not come under the jurisdiction of SEBI.
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- It argued that hybrid debentures are governed by Registrar of Companies (ROC), under the Ministry of corporate Affairs, from which permission had already been taken.
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How did the case proceed?

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- While Sahara contested SEBI's order in various courts, before the SC pronounced its final verdict, Sahara claimed that it has already paid back 93% of the investors and discharged its OFCD liability to the tune of Rs.

23500 crores.
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- Subsequently, the group failed to satisfy the Supreme Court with evidence of the source of funds used to make the claimed return payments.
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- This calls for a thorough probe to reveal all its possible money laundering dimensions.
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Where are the investors?

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- The total amount that needs to be refunded according to SEBI's estimate now stands at 40,000 crores.
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- Of this, SEBI has received an aggregate amount of about Rs.14,487 crores from the Sahara Group.
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- SEBI has been requesting genuine investors in Sahara to step forward and claim their money since 2013.
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- But even after 4 years of notice, only Rs.85.02 crores, of this amount has actually been returned to investors.
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- This obviously raises questions about the authenticity of Sahara's investor base, which needs to be investigated thoroughly.
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- Sahara's view that most investors aren't coming forward as they've already been paid stands on weak ground due inherent inconsistencies.
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What is the way ahead?

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- Enforcement Directorate must step in to expedite its current probe into the money laundering angle.
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- This will yield better results than waiting for millions of missing investors to turn up.
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- Finally, the Ministry’s rationale for approving Sahara’s initial fund-raising efforts should not be left un-investigated either.
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Source: The Hindu

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