

Indian Federal Agency Launches an Investigation of Billionaire Jewelry Designer for Bank Fraud

By Tarun Makhni, LL.M. Candidate 2018 | February 12, 2018

On Monday, February 5, the [Central Bureau of Investigation](#) (CBI) of India launched an investigation into billionaire Indian jeweler, Nirav Modi, his brother Nishal, his wife Ami, and his business partner Mehul Chinubhai Choksi for cheating Punjab National Bank of over \$44 million. The CBI acted on a complaint by the bank alleging that the aforementioned business partners were in collusion with the officials of the bank, and cheated it. The money was obtained by Nirav Modi and others on the pretext of advance payments to international suppliers.

Nirav Modi, a celebrity in his own right, grew up in a family of diamantaires and has been in the business for over a decade. His [designs](#) have been worn by international celebrities such as Kate Winslet and Aishwarya Rai. He is one of the richest people in India with a net worth of over \$1.8 billion, according to Forbes. This news will certainly cause alarm in the international circle as he has stores all around the globe with two stores that recently opened in the United States.

The bank, in their complaint, alleged that fraudulent Letters of Undertaking (LOU) were issued for and on behalf of the designer's firms. The bank officials requested the firms to furnish 100% cash margins for the LOUs. However, no record of any such facility has been granted or found in the branch records of the bank.

Abhishek Dayal, the [spokesman](#) for the CBI, said on Monday that raids were conducted at 21 different locations associated with Nirav Modi and the others accused. Raids were also conducted at the residence of the billionaire designer in Mumbai, India. However, Modi's flagship company, Firestar International, released a statement saying that the case "has no affiliation, legal or otherwise" with the company. Firestar was not one of the companies named in the complaint.

The bank claims that its deputy manager, now retired, Gokul Nath Shetty, and Manoj Kharat were in collusion with the designer. They said officials of the bank fraudulently issued LOUs without following the prescribed procedure and requirement of proper documents. No approval was taken from the appropriate authorities and there were no entries made in the bank's system. The bank alleges that public money has been "embezzled" by committing fraud.

The case comes at a time when banks in India are facing the problem of bad loans. Further, lawmakers are enacting new measures such as the new Insolvency and Bankruptcy Code to expedite the bankruptcy process.

No official statement has been released by the accused firms or representatives. Although, a CBI inquiry is generally the beginning of an investigation, the [current regime](#) of crackdown on high-profile borrowers, such as Vijay Mallya, may spell trouble for Nirav Modi and the others accused.