

**IN THE SPECIAL COURT (TRIAL OF OFFENCES RELATING TO
TRANSACTIONS IN SECURITIES) ACT, 1992
CUSTODIAN REPORT NO. 3 OF 2021**

**REPORT IN COMPLIANCE OF SPECIAL COURT ORDER DATED 30TH JUNE,
2020 IN SPMA-24-2020**

Mr. Gandhar Raikar a/w. Ms.Shilpa Bhate i/b. M/s.Leena Adhvaryu & Associates for the Custodian.

Dr. Milind Sathe, Senior Advocate a/w. Mr. Vipul Shukla for Respondent nos. 2 and 3.

Mr. Ashwin Mehta for the notified parties.

**CORAM : A.K. MENON, J.
Judge, Special Court
DATE : 23rd APRIL, 2021
(Through Video Conference)**

P.C. :

1. In this report the Custodian has sought several reliefs all of which pertain to shareholding of various notified parties all forming part of Harshad S. Mehta Group of Companies. All shares involved are of Reliance Industries Limited. The Company was directed to file affidavit vide order dated 9th April, 2021 which is yet to be received in hardcopy. Owing to some objections Dr. Sathe seeks extension of time to file an affidavit. In the meantime Dr Sathe

appearing for the company today states that as far as prayer clause (b) and (g) are concerned 1,73,168 and 3,03,776 bonus shares are not kept “in abeyance” as contended by the Custodian but are lying in physical form with the company, and the company is willing to transfer them to the appropriate account provided these are first dematerialised in the same folio as base shares. The base shares currently stand in the name of “Office of the Custodian, Special Court”.

2. Mr. Mehta at this stage submits that factually these shares should have been credited to the account of Jyoti H. Mehta but has been incorrectly kept in the aforesaid name despite orders of this Court passed in 1998-99. Mr. Raikar states that while these shares could have been transferred to the name of the “Custodian Account- Jyoti H. Mehta”, despite several requests made, she had not responded and hence that transfer did not take place. He submits that if upon verification it is found that the shares are required to be credited to the “Custodian Account – Jyoti H. Mehta”, the same can be taken up provided the company transfers the shares to the Custodian.

3. Dr. Sathe however states that the shares cannot be transferred to any account other than the folio in which it is currently been held in the “Office of the Custodian, Special Court”. In view thereof Mr. Raikar states that after the said transfer takes place under the same folio and upon dematerialisation, the

request of Mr. Mehta can be considered. Mr. Raikar states that if an existing account is competent to receive these shares, the same will be brought to the attention of the company, failing which a fresh account will be opened to facilitate credit the shares to such account. Let this be completed within four weeks from today.

4. As far as prayer clause (c) is concerned Dr. Sathe states that 19993 duplicate shares of Reliance Industries Limited sought are standing to the credit of the Income Tax department in the name of the Assistant Director, of Income Tax under 37 folios and that subject to Custodian's compliance the company is willing to issue such duplicates. However, in view of the letter at Exhibit E(v) to the report Dr. Sathe and Mr. Mehta pointed out that the shares appear to be in the RBI vault and the Custodian will have to retrieve the same. Mr. Raikar seeks time to take instructions. If these shares are therefore submitted for dematerialisation the company will ensure the transfer to the appropriate account as directed.

5. Prayer clause (d) concerns Rights shares on the aforesaid 19993 shares. Dr. Sathe states that a Public notice of the Rights issue was published in May- June 2020 and not at any time earlier. The public notice would have altered share holders to apply for right shares. According to the

company no request has been received either on behalf of the Income Tax Department or Custodian for rights shares on the 19993 shares. . Mr. Mehta submits he has addressed several letters to the Custodian office and it was for the Custodian to make an application since shares are said to be lodged in the RBI vault upon being handed over by the Income Tax authorities. Mr. Raikar seeks time to ascertain the factual aspects.

6. As far as prayer clause (f) is concerned Dr. Sathe states that since the shares and dividend on the base shares were not claimed within time the base shares were transferred to the Custodian Account- notified party. Bonus shares were meanwhile issued to the registered shareholders prior to such transfer of base shares and dividend paid was also credited to the share holders in question. However since some shares were not claimed this was transferred to the Investor Education Protection Fund (IEPF). It is for the Custodian to apply for reversal of that and the company is willing to co-operate in that respect.

7. As far as prayer clause (h) is concerned the Custodian's request is opposed by Mr. Mehta since according to Mr. Mehta these are not tainted shares and the Custodian cannot retain the same. He states that the affidavit he proposes to file will set out the particulars in this respect. . Dr Sathe on behalf

of the company states that the right shares were applied for and right shares were also issued and it has no further role to play in respect of the relief sought in prayer clause (h).

8. In respect of prayer clause (i) Dr. Sathe submits that 55 bonus shares issued in 1997 are not available with the company, however 165 shares are available which the company is willing to transfer upon the same being dematerialised. In view thereof Mr. Raikar submits that after taking into consideration the aforesaid he will apply for duplicate shares in respect of 55 bonus issues of 1997. Mr. Mehta states that there is already a standing order of this Court which permits the Custodian to apply for duplicate shares and therefore Custodian to proceed in accordance with that order.

9. Both learned counsel state that they will have a joint meeting on or before Tuesday, 27th April, 2021. In the meantime affidavit of Mr. Mehta and that of the company shall be filed on or before Wednesday, 28th April, 2021.

10. List on 30th April, 2021.

(A.K. MENON, J.)