IN THE HIGH COURT AT CALCUTTA
ORIGINAL JURISDICTION
ORIGINAL SIDE

BEFORE:
The Hon'ble Justice Ravi Krishan Kapur

IA NO. CA/5/2022
In CP/206/2012

IN THE MATTER OF :
INDIA POWER CORPORATION LTD & DPSC LTD

IA NO. CA/4/2021
In CP/206/2012

IN THE MATTER OF :
INDIA POWER CORPORATION LTD & DPSC LTD

For the petitioner	: Mr. Ratnanko Banerjee, Senior Advocate Mr. D. N. Sharma, Advocate Mr. S. Mandal, Advocate
For the respondent	: Mr. Sourojit Dasgupta, Advocate
For SEBI	: Mr. Tilok Bose, Senior Advocate Mr. Prasanta Kr. Dutta, Advocate Mr. Rupak Ghosh, Advocate Mr. S.K. Dutt, Advocate Mr. Syamantak Banerjee, Advocate
Reserved on	: 04.11.2022
Judgment on	: 07.02.2023

Ravi Krishan Kapur, J.

By consent of the parties both these applications were heard analogously.

CA/4/2021

1. This is an application filed by the Securities and Exchange Board of India (SEBI) seeking the following reliefs:-

(a) Leave of the Court may be granted that apart from the divestment process being adopted by the Trust and in case the

Trust is unable to meet the MPS compliance, the Company/its Promoter(s) /Promoters Group/Directors may also be directed to meet the MPS requirements.

(b) To allow SEBI to take necessary action against the Company/its Promoter(s) /Promoters Group/Directors as per the provisions /methods available under Securities Laws in order to meet the MPS requirements.

(c) Ad-interim order in terms of prayers above.

(d) *Pass such other order or orders and/or direction/directions as Your Lordship may deem fit and proper.*

2. Briefly, by an order dated 17 April, 2013 a scheme of amalgamation was sanctioned by this Court whereby the demerged company Indian Power Corporation Limited (IPCL) was transferred to Power Trust (the Trust), an irrevocable investment Trust and the residual undertaking of the demerged company was merged with Dishergarh Power Supply Corporation Limited (DPSC), the resulting company. Prior to amalgamation, IPCL owned approximately 93% shares in DPSC which had subsequently been transferred to the Trust. Thereafter, under the scheme, the investment division of IPCL was transferred to DPSC.

3. It is alleged that, the scheme sanctioned by this Court (in particular clause 3.3.3 of the scheme), violates the mandatory stipulations that all listed companies must have at least 25% of its shares held by the public. This is also in violation of inter alia the Securities Contract Regulation Act, 1956 and the Securities Contract Regulation Rules, 1957. For convenience, clause 3.3.3 of the scheme provides as follows:

> *"As the Trustees will hold the Investment Division in an irrevocable trust and shall be managing the Investment Trust in an independent manner, the Trustees shall constitute members of 'public' as defined under the Securities Contracts (Regulation) Rules, 1957, in relation to any and all investments held by the Investment Trust."*

4. By an order dated 27 January, 2017, the Court had directed the Trust to cause a public auction for sale of 32,63,16,563 shares. Thus, the Trust was directed to offload part of its shareholding in the market so that there be compliance with the mandatory requirement of having 25% of its shareholding with the public. Thereafter, in a proceeding filed by the independent directors of DPSC before the Securities Appellate Tribunal being Appeal No. 275 of 2017, the Tribunal had directed the applicants to approach this Court for appropriate reliefs.

5. This application has been filed seeking modification of the order dated 27 January, 2013. It is alleged that the modification is required in view of the fact that, notwithstanding the order dated 27 January, 2017, the Trust has failed to offload the entire shares.

6. On behalf of the Trust it is contended that, despite efforts, the Trust has been unable to sell the shares for reasons beyond their control. Hence, the time to comply with the order dated 27 January 2017 be extended.

7. The amended Rule 19(2)(b) and the newly introduced 19(A) of the Securities Contracts (Regulations) Rules 1957 (SCRR) provide as follows:

> ***Requirements with respect to the listing of securities on a recognized stock exchange.***
>
> *19(2) ……*
>
> *(b) (i) At least twenty find per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company was offered and allotted to public in terms of an offer documents; or*
>
> *(ii) At least ten per cent of each class or kind of equity shares or debentures convertible into equity shares issued by the company was offered and allotted to public in terms of an offer document if the post issue capital of the company calculated at offer price is more than four thousand crore rupees:*
>
> *Provided that the requirement of post issue capital being more than four thousand crore rupees shall not apply to a company whose draft offer document is pending with the Securities and Exchange Board of India or*

before the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010, if it satisfies the condition as prescribed in clause (b) of sub-rule 2 of rule 19 of the Securities Contracts (Regulation) Rules, 1956 as existed prior o the date of such commencement:

Provided further that the company, referred to in sub clause (ii), shall increase its public shareholding to at least twenty five per cent, within a period of three years from the date of listing of the securities, in the manner specified by the Securities and Exchange Board of India.

Continuous Listing Requirement.
19A. (1) Every listed company [other than public sector company] shall maintain public shareholding of at least twenty five per cent:

Provided that any listed company which has public shareholding below twenty five per cent, on the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010, shall increase its public shareholding to at least twenty five per cent, within a period of three years from the date of such commencement, in the manner specified by the Securities and Exchange Board of India.
Explanation: For the purposes of this sub-rule, a company whose securities has been listed pursuant to an offer and allotment made to public in terms of sub-clause (ii) of clause (b) of sub-rule (2) of rule 19, shall maintain minimum twenty five per cent public shareholding from the date on which the public shareholding in the company reaches the level of twenty five per cent in terms of said sub-clause.
(2) Where the public shareholding in a listed company falls below twenty five per cent at any time, such company shall bring the public shareholding to twenty five per cent within a maximum period of twelve months from the date of such fall in the manner specified by the Securities and Exchange Board of India.
(3) Notwithstanding anything contained in this rule, every listed public sector company shall maintain public shareholding of at least ten per cent.:

Provided that a listed public sector company-

(a) Which has public shareholding below ten per cent, on the date of commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2010 shall increase its public shareholding to at least ten per cent, in the manner specified by the Securities and Exchange Board of India, within a period of three years from the date of such commencement;
(b) *Whose public shareholding reduces below ten per cent, after the date of commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2010 shall increase its public shareholding to at least ten per cent, in the manner specified by the Securities and Exchange Board of India, within a period of twelve months from the date of such commencement,.*

8. The scheme which has been sanctioned is in violation of inter alia the provisions of The Securities Contract Regulation Act, 1956 and The Securities Contract Regulation Rules, 1957. By virtue of the scheme, the Trust has been made to constitute members of the public. The public

shareholding excluding the shares of held by the Trust was only 7%. The classification of the Trust as a public shareholder is ex facie perverse and contrary to law. This is a blatant attempt to circumvent the mandatory compliance. By an order dated 27 January, 2017, the Trust had been directed to offload 32,63,16,563 shares. Thereafter, by an order dated August 25, 2017 the time to complete the sale was further extended by 31 December 2017. Admittedly, the sale of the shares has not yet been completed. This position has been continuing since 27 January, 2017. It is submitted on behalf of the Trust that though some shares aggregating to 25,71,398 shares have been sold in terms of the order dated 27 January 2017, the Trust has been unable to sell the remaining shares. The grounds for being unable to sell the shares are immaterial. The responsibility for ensuring minimum public shareholding in terms of Rules 19(2)(b) and 19(A) of the SCRR is on the "listed entity". In order to ensure equitable participation in the affairs of a listed company, and a level playing field it is mandatory that the promoter/promoter group of such companies ensure compliance with the public shareholding requirement.

9. As a last chance, the time to sell the shares in terms of the order dated 27 January, 2017 stands peremptorily extended by a period of 3 (three) months from date. In default of effecting the aforesaid sale, there shall be an order in terms of prayers (a) and (b) of the Judge's Summons.

10. With the aforesaid directions, CA/4/2021 stands disposed of.

CA/5/2022

1. CA 5 of 2022 had been filed by the Trust praying for the following reliefs:

> *a) Leave be granted to file this application with short cause title;*
> *b) Leave be granted to serve the instant application on Ashika Stock Broking Limited, having its registered office at Trinity, 226/1, A.J.C. Bose Road, 7th Floor, Kolkata-700020;*
> *c) An order be passed directing Ashika Stock Broking Limited, having its registered office at Trinity, 226/1, A.J.C. Bose Road, 7th Floor, Kolkata- 700020 to immediately change the signatories of the Dematerialized Account of the Trust having client ID 10029842 and DP ID IN303591 pursuant to the change in the Trustees.*

2. The applicant seeks directions on the Depository Participant engaged by the Trust, namely Ashika Stock Broking Limited to change the names of the Dematerialized Account maintained by the Trust.
3. It is submitted by the depository participant that they have no objection in changing the signatories to the dematerialized account of the Trust.
4. On behalf of SEBI, it is submitted that this application is misconceived and not maintainable. It is also contended that there is collusion by and between the applicant and Ashika.
5. I find that the reliefs sought for in this application are beyond the scope of these proceedings. The arrangement between the applicant and the Trust is a private arrangement and outside the scope of this proceeding. There is also a pending Civil Suit being Money Suit No.23 of 2022 wherein the Trust has claimed similar reliefs as those prayed for in this application against Ashika. There is also a proceeding initiated by Ashika

under the Insolvency Code 2013. In view of the aforesaid, there is no scope of granting any of the reliefs prayed for in this application.

6. For the above reasons, CA 5 of 2022 stands dismissed.

(Ravi Krishan Kapur, J.)