IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 27-03-2025

CORAM

THE HONOURABLE MR JUSTICE S. S. SUNDAR
AND
THE HONOURABLE MR JUSTICE C. SARAVANAN

A No. 1166 of 2025
IN
CS NO. 491 OF 2007

Nadar Mahajana Share Investors Forum
Rep.By Its Presidium Member 246,
Anna Salai, Chennai 600 002

Applicant(s)

Vs

Nadar Mahajana Sangam
Rep.By Its General Secretary
G.Karikolraj No.2, South Chitral St.,
Madurai AND 30 OTHERS

Respondent(s)

A No. 1166 of 2025

PRAYER

To direct the 31st Respondent/Garnishee in this Application to deposit the share certificate in C.S.No.491 of 2007, morefully described in the Schedule to the judges Summons to the Registrar, Madras High Court, to be dealt with further as per orders of this Court.

CS No. 491 of 2007

PRAYER

To declare that the shares transferred by the defendants 1, 5 to 7 and 20 and 22 in favour of the defendants 2, 3, 8 to 19 and 23 to 29 as null and void and not binding on the plaintiffs consequentially grant a decree of permanent injunction restraining the defendants from transferring the shares of 4th defendant namely TNMB to any third parties, grant a decree of permanent injunction restraining the defendants 2, 3, 8 to 19, 23 to 29 their men or agents or nominees or any person claiming under them form claiming any right under the shares of the 4th defendant transferred to them by the deft 1, 5 to 7 and 20 and 22.

For Applicant(s): M/s.K.Mohanamurali

For Respondent(s): Mr.Vijay Narayan
Senior Counsel
for Mr.T.Poornam for R5
Mr.P.Giridharan for R3
M/s.T.Kokilavane for R4

ORDER

(Order of the Court was made by S.S.Sundar J.)

This application is filed for issuance of a direction to the 31st respondent/Garnishee in this application to deposit the share certificate in C.S.No.491 of 2007, more fully described in the Schedule to the Judges Summons, to the Registrar, Madras High Court, to be dealt with further as per orders of this Court.

2.It is stated in the application that the physical custody of the shares are in the hands of M/s.Standard Chartered Bank, the 31st respondent, who had taken custody on 13.05.2007, pursuant to the agreement between the owners of the shares. It is admitted that M/s.Standard Chartered Bank is holding the shares, which are standing in the name of defendants 23 to 29, as escrow agent and the Bank has no interest or lien in respect of such shares.

3.This application is opposed only by the 5th respondent/Tamil Nadu Mercantile Bank (4th defendant in the suit). The 5th respondent, in its counter affidavit, has stated that the 31st respondent Bank is presently prosecuted by the Enforcement Directorate and a penalty of Rs.34 Crores was imposed on the Standard Chartered Bank, as 1,12,151 shares of the 5th respondent, including the shares which are subject matter of the suit, are kept in the escrow account, which was opened without prior permission of Reserve Bank of India. It is further stated that consent of Standard Chartered Bank is immaterial for depositing the shares and that the 31st respondent is under cloud. It is further stated that, since the Bank had kept the shares in escrow account in violation of FEMA, willfully, with an ulterior motive, and is deliberately seeking to perpetuate its violation which is a serious issue and now the Enforcement Directorate has seized of the matter, the application cannot be sustained.

4.This application for direction is not for transfer of shares, but for transfer of physical possession of the shares from the 31st respondent which is now holding the shares as an escrow agent without holding any other right. The 31st respondent has no objection for handing over the shares to the Court. In such circumstances, this Court is of the view that, without prejudice to the rights of the 5th respondent and the Enforcement Directorate or any other law enforcing agencies questioning the original transaction by which the Standard Chartered Bank was given custody of the shares or any other proceedings in relation to the shares in question, this application can be ordered. It is also noticed that there is an order dated 23rd August, 2017, in A.No.5128 of 2016 in C.S.No.736 of 2016, insofar as deposit of 1180 shares as in Schedule to the Judges Summons. Therefore, **this application is ordered** in respect of balance

5000 shares as found in the Schedule to the Judges Summons and the deposit shall be made with the Registrar General of this Court, within a period of three weeks from today, and the Registrar will hold the custody of shares until further orders. This order is without prejudice to any proceedings that have already been initiated by the Enforcement Directorate/Reserve Bank of India or the rights and defence in any such proceedings or any other proceedings that may be laid against the 31st respondent Bank.

5.Post the matter **for reporting compliance on 25.04.2025.**

(S.S.SUNDAR J.)(C.SARAVANAN J.)
27-03-2025

Note to Registry ***: Issue order copy on or before 04.04.2025***

Index:Yes/No
Speaking/Non-speaking order
Internet:Yes
Neutral Citation:Yes/No
mkn

To

1.The Standard Chartered Bank
Securities Services, 3rd Floor,
Cresenzo Plot No.C-38, G Block,
Bandra Kurla Complex,
Bandra East (e) Mumbai 400 051.

2.The Chairman of the Board of Directors,
Tamil Nadu Mercantile Bank Ltd.,
57, V.E.Road, Tuticorin.

S.S.SUNDAR J.
AND
C.SARAVANAN J.

mkn

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