

ITEM NO.7

COURT NO.1

SECTION XIIA

S U P R E M E C O U R T O F I N D I A

RECORD OF PROCEEDINGS

IA 8/2007 in Petition(s) for Special Leave to Appeal (Civil) No(s).2847/2007

(From the judgement and order dated 25/01/2007 in WP No. 27065/2006 & WPMP No. 34785/2006 & WPMP No. 34786/2006 of The HIGH COURT OF JUDICATURE OF A.P AT HYDERABAD)

MARGADARSI FINANCIERS & ORS.

Petitioner(s)

VERSUS

GOVT.OF A.P.& ANR.

Respondent(s)

(For grant of stay of all further proceedings)

Date: 20/04/2007 This Petition was called on for hearing today.

CORAM :

HON'BLE THE CHIEF JUSTICE

HON'BLE MR. JUSTICE P.K. BALASUBRAMANYAN

HON'BLE MR. JUSTICE R.V. RAVEENDRAN

For Petitioner(s)

Mr.Harish N.Salve, Sr.Adv.

Mr.Arun Jaitley, Sr.Adv.

Mr.M.R.Kalla, Sr.Adv.

Mr.P.H.Parekh, Adv.

Mr.Ajay K.Jha, Adv.

Mr.G.V.R.Chaudhary, Adv.

Ms.Mary Mitzy, Adv.

Ms.Diksha Rai, Adv.

Mr.Abhishek Sarkar, Adv.

For M/S P.H. Parekh & Co.,Adv.

For Respondent(s)

Mr.R.F.Nariman, Sr.Adv.

Mr.C.V.Mohan Reddy, Adv.Genl.

Mr.S.Satyanarayana Prasad, Sr.Adv.

Mr.D.Ramakrishna Reddy, Adv.

Mrs.D. Bharathi Reddy,Adv.

Mr.P.Vinay Kumar, Adv.

UPON hearing counsel the Court made the following

O R D E R

Heard both sides.

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Shri N.Rangachary, Advisor to Government, who was appointed by

the State Government under the provisions of the A.P. Protection of Depositors of Financial Establishments Act, 1999 ('the A.P.Act' for short)

to examine the records of the first petitioner, filed two reports. On the

basis of the said reports dated 2.2.2007 and 19.2.2007 the

petitioners/applicants herein have been served with notices dated 5.3.2007

and 28.3.2007 that further steps would be taken under the A.P.Act. T he

applicants/petitioners apprehends that if any further action is taken in

pursuance of such notices, the petitioners'/applicants' business activities

will come to a stand-still and their accounts will be attached and freezed

and their depositors would be seriously prejudiced.

Learned senior counsel for the applicants/petitioners submits that though the first petitioner may have a liability of Rs.2300 crores to the depositors, the depositors will all be paid the deposit amount on maturity. He submitted that petitioners/applicants have secured credit facilities of a sum of Rs.800 crores and necessary amounts will be deposited in escrow account periodically and as and when the deposits mature, the amount would be paid to the depositors. We record this undertaking. The

learned senior counsel submitted that another Rs.1217 crores is being secured by inviting Blackstone F.P.Capital Partners (Mauritius) V Limited to invest in 26% share capital of applicant no.3 and that the amount also will be made available for repaying the depositors.

The details of the payments made to the depositors shall be furnished to both the Reserve Bank of India and the State Government and if there is any delay in making the payments to depositors whose deposits have matured, the same shall be reported to the R.B.I. and the R.B.I. and the State Government would be at liberty to take appropriate action against the applicants/petitioners under the A.P.Act.

Learned senior counsel for the State submits that there is a total liability of Rs.2300 crores on the applicants/petitioners and the

applicants/ petitioners are not in a position to pay the amount as the business concerns are at loss and the I.A. itself is not maintainable.

We leave all these questions open for the time being. We make it clear that there shall not be any freezing of the accounts of the applicants/petitioners or attachment under the A.P.Act till 23rd July, 2007.

List the matter on 23rd July, 2007.

I.A.8 is disposed of accordingly.

(G.V.Ramana)

Court Master

(Veera Verma)

Court Master