



HC rejects plea to stay merger of LVB with DBS

Swati Deshpande & Rajesh Chandramouli | TNN | Updated: Nov 27, 2020, 16:11 IST

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Mumbai/Chennai: The Bombay high court on Thursday, in an interim order, rejected a plea for a stay sought by shareholders of Lakshmi Vilas Bank (LVB) on its merger with DBS Bank India. Even as shareholders filed petitions in Chennai and Mumbai seeking to stay the merger, the Reserve Bank of India (RBI) directed the administrator of the bank to write off Rs 318 crore worth of tier-2 bonds.

The central bank said that the bonds should be written off as the bank's net worth had turned negative and it has accumulated losses of Rs 2,969 crore and the terms of the bonds provided for such a write-off should the bank be amalgamated with another by the regulator. On October 7, **Brickwork Ratings had downgraded these bonds to B+ with negative implications from 'BWR BB+'.**

In Mumbai, Kare Electronics, the bank's erstwhile promoters, and Indiabulls Housing Finance, one of the shareholders of the southern bank, had petitioned the HC, challenging the merger. The petitions made as party the RBI, which approved the scheme of amalgamation that is to come into force from November 27.

In Chennai, another petitioner AUM Capital said it held 13 lakh shares in LVB and was aggrieved by the amalgamation. The case is coming up for hearing on Friday at the Madras high court. The petition said that the amalgamation would unjustly enrich DBS. The petitioner cited instances in the past when shareholder value was not written off.

The Indiabulls petition was on the grounds that the scheme directed the bank to be delisted and the shares to be cancelled at no consideration. Indiabulls held close to 5% of the bank's shares, which it had purchased at Rs 188 crore last year. That would now amount to zero. Dinyar Madon, senior counsel for Indiabulls, said the RBI published the draft scheme on November 17 and sought objections by November 20, which were provided by Indiabulls. Despite the objections, the final notification by the government was no different from the draft scheme, making it clear that shareholders' objections were not considered. Senior counsel Darius Khambata for Kare also objected to the merger and adopted some of Madon's submissions.

But senior counsel Ravi Kadam for the RBI opposed any plea for a stay. Kadam said it was an emergent situation that the liability of a bank be taken over immediately and these depositors' money be safeguarded as they can, on Friday itself if they want, withdraw their deposits from DBS Bank India. A stay on the merger would hurt the interests of the depositors and account holders. It would also disturb the flow of the economic activity in the banking stream, said Kadam.

There were 566 branches with more than 4,000 employees, Rs 20,000 crore as deposits and 20 lakh deposit accounts, Kadam said.

The bench of Justices Nitin Jamdar and Milind Jadhav at the Bombay HC said the claim of the shareholders was a monetary one for compensation, which can be decided at the final hearing. It adjourned the matter to December 14 for further hearing.