

## No early end in sight to TMB ownership tussle

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Shareholder meetings later this week won't address legal tangle

**TMB: In troubled times**

**1994 - 1999**

- Over 200 shareholders sell 1.91 lakh TMB shares, accounting for 67% of the paid-up capital, to companies of Essar Group
- Essar companies acquired by Sterling Group
- RBI declines to recognise the share transfer
- Nadar community floats Nadar Mahajana Bank Share Investors Forum to buy back the shares from the seven companies

**June 1999** - NMBSIF enters a deal with Sterling Group to buy back about 96,000 shares

**July 2003** - NMBSIF agrees to buy back 96,000 shares in favour of individual investors

**March 2006** - Ramachandra Adityan and MGM Maran, in agreement with Sterling Group, identify a group of 18 buyers

**May 2007** - 95,418 shares transferred to the group

**August 2014** - RBI orders TMB not to allow any voting right to the 18 buyers

**Contested holdings**

The 18 investors whose holdings in TMB are now in the Project Windmill Escrow Account:

- Katra Holdings Ltd
- Sabis Reinvestment (Mauritius) Ltd
- Kamathwala Mauritius Ltd
- Cana Group Mauritius Ltd
- FI Investments (Mauritius) Ltd
- ESI Ltd (Cayman Islands)
- GH Ltd (Grand Cayman Islands)
- Geel Patmak (Chell)
- Vector Program Pvt Ltd, Bangalore
- PS Sathyanandan
- Manoj Finance and Leasing P Ltd
- Shanmuga Financial Services P Ltd
- L Sriharan
- N Gopalan
- R. Chinnaiyan
- C Chinnammal
- MGM Maran
- M S Mathu

• Has more than 400 branches with a total business of about ₹45,000 crore and net profit of ₹370 crore in 2014-15

• Started in 1921 as the Nadar Bank with a paid-up share capital of ₹28 lakh owned by history of Thoothukudi, Shikhal and Vruthanagar in southern Tamil Nadu

• Renamed Tamilnad Mercantile Bank in 1925

Chennai, January 24:

The long-overdue annual general meetings (AGMs) of the Tamilnad Mercantile Bank later this week will mark a significant footnote in the two-decade-long legal battle for ownership of the Thoothukudi-based bank among individual shareholders and Indian and foreign entities.

The AGMs have not been held for six years now owing to court injunctions arising from the ownership tussle. The Madras High Court had in November last year allowed the AGMs for 2009-10 to 2014-15 to be held. In its order lifting the injunctions, the Court remarked wryly that the legal battle, which had started “way back in 1995 continues with more vigour” and “no one knows when the war would be over ultimately.”

The battle has been fought in board rooms, various courts — and, occasionally, on the streets — in various jurisdictions, from TMB’s home in Thoothukudi (erstwhile Tuticorin) to Chennai, Mumbai and Delhi.

Promoted by the Nadar community, which is well-established in the entrepreneurial space, the bank has over the years seen a majority of its shares change hands to corporate entities, some of which are of indeterminate provenance. The community banded together and took to the streets in protest to wrest back control.

As of now, about 42 per cent of the bank’s shares, owned by 18 individuals and foreign institutions based in Cayman Islands and Mauritius, are in an escrow account. But the Project Windmill Escrow Account is controlled by Corsair Capital, a US-based private equity firm, which faces allegations of trying to wrest control of the bank.

The High Court had in its Common Order in November on a batch of petitions relating to the share transfer, said that the entire arrangement is “not clear and lacks transparency.”

### Mining baron in fray

A new twist to the case has been provided by the bid for directorship made by S Vaikundarajan, a Thoothukudi-based industrialist with a significant presence in the beach mineral mining industry and diverse investments in media, education and retail sectors. He has been mopping up shares from the public and garnering support from a section of the bank’s investors. The bank’s shares are not listed, but by some estimates, they are valued at about Rs. 1 lakh each. (The book value of each share is about Rs. 91,000.) Vaikundarajan too hails from the Nadar community, but other shareholders are concerned that he could use his financial and political clout to take control of the bank.

### The case history

TMB’s troubles started in 1994 when a large group of shareholders sold 67 per cent of the paid-up capital to companies of the Essar Group of companies, which were later acquired by the Sterling Group. The RBI refused to recognise the share transfer as it disfavoured links between banking companies and industrial houses.

A group of Nadars then floated the Nadar Mahajana Bank Share Investors Forum (NMBSIF) to buy back the shares. The NMBSIF entered into an agreement to buy back about 96,000 of the 1.91 lakh shares that were at the centre of the dispute. Subsequently, in 2006, two of the bank directors — Ramachandra Adityan, who spearheaded the NMBSIF, and MGM Maran — entered into an agreement with the Sterling Group to identify buyers for the stake. A year later, 95,418 shares were transferred by the two to the 18 investors.

Based on available material, the Court observed that “12 out of 18 investors in the group are part of the Project Windmill Escrow Account and shares of five investors have reportedly been sold to an associate of an investor whose shares are already in the above Escrow account.” Further, it noted, “the arrangement under which such substantial portion of the shareholding is held under Escrow arrangement is not clear and lacks transparency.”

The AGMs later this week are being conducted in the interest of clearing long-pending decisions to facilitate bank operations. Given the complexity of the legal tangle, the ownership issues are bound to be tied up in a protracted legal battle for a lot longer.

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