

LEGAL UPDATES

TELANGANA HC: HC REJECTS KARVY'S WRIT APPEALS AGAINST SFIO INVESTIGATION, RAPS BROKER FOR "CREATING HINDRANCES"

The Telangana High Court upheld the Single Judge's ruling supporting the MCA's move to direct SFIO to conduct an inquiry into the business dealings of Karvy Stock Broking Ltd. (the "Appellant"). The decision was made in light of the fact that the case is still under investigation and that the Appellant has not been capable to identify the harm done to it. As a result, it denied Karvy's writ appeals and noted that MCA had ordered an investigation into the Appellant's affairs, as a consequence of which the investigation officer had issued a notice under Sec. 217 of the Companies Act requesting precise details and informing the Appellant to strictly abide by the same. The division bench that delivered the ruling was composed of Chief Justice Satish Chandra Sharma and Justice N. Tukaramji. Investors complained, and the Appellant's fraudulent schemes were often covered in the news and electronic media. ROC ordered an investigation into the Appellant's operations under Sec.s 212(1)(a) and (c) of the Companies Act relying on the inquiry report. The Court denied the Appellant's claim that the Central Government's order is invalid because it was issued without considering the Report that the ROC submitted in accordance with Sec. 210 of the Act. Additionally, the necessity of getting a report from the Registrar of Companies is not at all required for ordering an inquiry, and the action by the SFIO under Sec. 212 of the Companies Act, highlights the fact that the Central Government authorized the inquiry because it was in the public's interest, and that this Court consequently sees no grounds to interfere with the Order issued by the Single Judge. The court construed the MCA order, observing that the Central Government fashioned a belief grounded on the gravity of the fraud committed in the matter owing to the appellant's affairs including a wider public interest and that the opinion was based on evidence furthered to the Central Government by the Registrar of Companies. The Appellant was slammed for putting up every obstacle at every turn to obstruct the SFIO's inquiry from the start under some pretense or another and claimed that the case isn't moving forward at all, preventing the investigating agency from

looking into the Appellant's business dealings. The HC found that the Government must adhere to the procedure outlined in Sec. 212 of the Companies Act because it has taken a transparent approach and given the Appellant an opportunity to be heard from the start and since the Companies Act is a thorough and comprehensive law in itself. Thus, the writ appeals were denied and the single-judge bench ruling was upheld.